NOV. 25
1933

BUSINESS WEEK

BUSINESS INDICATOR

75	
70	
65	
60	Week ago
55	
50	Year ago

Business Outlook
See page 3

Globe

DEALER TAKES TWO—The President draws Morgenthau and Myers (left) to support his financial policy.

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This Business Week

NEWSPAPERS got very much excited because the November issue of the *Federal Reserve Bulletin* omitted the "Review of the Month." They remembered General Johnson's explosion over remarks in the preceding review, and cried, "Aha! A censorship!" One or two wrote very impressive editorials about it. Everett Sanders, Republican chairman, issued a statement.

The Federal Reserve people are much amused. They never knew they had so many ardent champions. And they do hate to spoil the fun—but honesty compels them to say that there has been no change whatever in the policy of conducting the *Bulletin*. Reviews have been omitted before—in March, for example. The "censored" issue carries a national summary that starts off: "During September and the first half of October, industrial activity declined, as it had in August . . ."

ONE of the Deputy Administrators over at NRA recently frowned over a letter from Brunswick, Ga., signed "W. F. George." It demanded certain modifications of the lumber code as applying to small sawmills in the South, stating that great hardships were being worked.

The deputy wrote a very sassy note to Mr. George, giving him a lecture on the recovery program and concluding with the advice that he read the act.

Mr. George retorted very curtly that he had not only read the act, but was one of the Senators on the conference committee which framed it.

RESIGNATION of Thomas M. Glasgow, Deputy Administrator, who has been in charge of the lumber code, was announced this week. Mr. Glasgow's business can no longer spare him.

A FAMOUS after-dinner speaker of Washington says that anybody can get a reputation now as a humorist. "All he has to do is to go out of town and make a serious and detailed report of the things they are doing here, and the audience will roll off their chairs and declare him the biggest 'card' they ever heard."

WASHINGTON was cheered, this week, by the arrival of the powder-puff code for early hearing. The setting of the hearing for the goldfish industry had been the brightest spot previously.

YOU can't convince the farmer who raises pigs that corn doesn't sell for $1.10 a bushel. He pays that price for the corn fed to his hogs in the Chicago stockyards pending their disposal, and 12¢ a head per day yardage charge.

SECRETARY WALLACE is paying the wheat farmer $100 millions for reducing his acreage; another huge sum to the corn producer for the same reason. Secretary Ickes' PWA has granted a $22,700,000 loan to finance the Casper Alcova irrigation district project in order to convert 63,000 acres of arid land into crop-producing ground. Another case of the right hand being ignorant of what the left is doing; or is it?

IT IS doubted if any one of the President's advisers has as much influence over him as has Secretary Tugwell. Irreverence for past policies; hyper sensitiveness toward the misdeeds of the upper ten and the trend toward dialectical socialism all smack of Tugwell more than of Frankfurter or Morgenthau.

NEARLY all of the bright young men of the brain trust are snappy dressers. Their suits are the last word of sartorial excellence. Their socks match their neckties and their breast-pocket kerchiefs. These champions of the forgotten man stand out in contrast with some of the leaders in previous administrations with reputations of being too sympathetic with the vested interests. Charlie Curtis thought it sufficient if trousers were pressed at the beginning of each session of Congress.

RETURN of 3.2 per cent beer made lots of business for manufacturers of bar fixtures. So far, repeal hasn't made much. Uncertainties surround the enactment and enforcement of liquor laws in the individual states. Dealers hesitate to buy fixtures.

THE Post Office Department has calculated, and published in *The Postal Bulletin*, conversion tables showing the relationship of the dollar to the pound sterling in ratios as high as 6 to 1!

INCOMING Secretary Morgenthau's reference to the fact that outgoing Secretary Woodin had left $1,400 millions in the Treasury as compared with the $100 millions he found there when he took office was intended as a compliment but it reflected credit neither on the departing minister nor upon the author of the remark. The objective of the Treasury secretary always has been to hold as little idle money as possible. To be paying interest on more than a billion dollars of idle money simply means that a poor calculation was made.

The Business Outlook

Business men have spent the week in a high fever of excitement, confused by clamoring disputants, alarmed by dire predictions. The fight isn't over—is just beginning—but as the first excitement fades so will some of the alarm. Unwarranted aspersions on the government credit are being bandied about too freely. . . . That lifting gold prices is having some effect on the commodity price level is apparent in even the broad composite index of the U. S. Bureau of Labor Statistics which reached the year's high in mid-November. . . . Industrial news shows but minor changes. . . . . Retail trade is now feeling the first holiday spurt. Production is slowing down in more or less seasonal style. . . . Steel, lumber, and textile industries find the codes have merit, have asked for extensions. . . . Current steel operations are bumping along bottom, but 1934 looks better as motor, rail, public works, and miscellaneous buying draws near. . . . Some of the railroads find they will be able to buy rails without government assistance. . . . November construction figures look better now that public contracts are actually being signed on the dotted line. Even residential building is getting a second wind, and PWA aid for slum clearance promises greater activity. . . . Electric power production remains stationary. Check transactions failed to perk up in the usual midmonth fashion.

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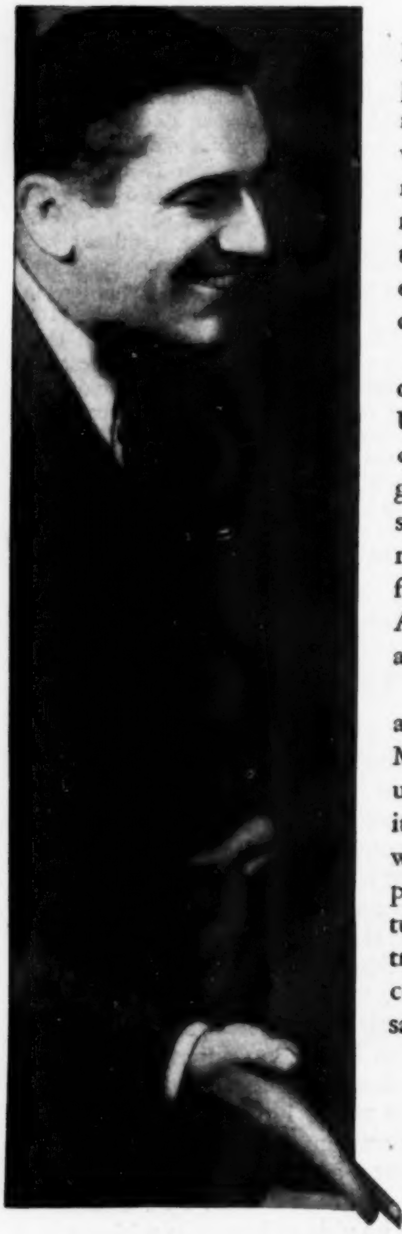

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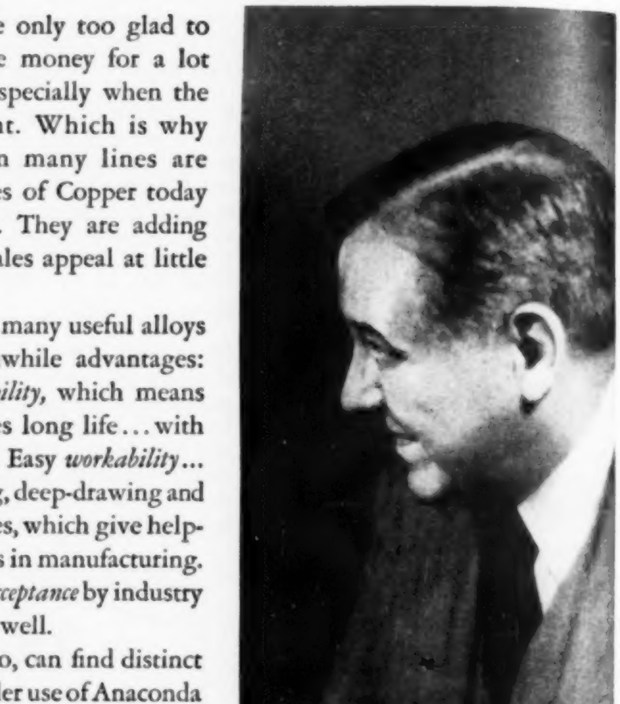

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BUSINESS WEEK

NOVEMBER 25, 1933

Thunder on the Right

Opposition to the President's recovery plans organizes and becomes louder. It centers on monetary policies and expresses fear of what may happen rather than concern over what has.

THE resignation of Dr. Oliver M. W. Sprague, financial and executive assistant to the Secretary of the Treasury, definitely ended the moratorium on criticism of the President and clearly defined the issues upon which is to be fought in the open a currency battle comparable to the free silver struggle of the 'nineties. On one side will be arrayed the President and his economic advisors, ranging from liberal to radical, an almost certain majority in Congress, and the political machinery of a dominant Administration. On the other will be found most of the leaders and organizations which represent labor, banking, commerce and industry, and a rapidly growing political minority.

Dr. Sprague is internationally recognized as one of the leading authorities on government finance. At the urgent request of the new President he left his post as financial advisor to the Bank of England to accept a place in the "little cabinet." In his letter of resignation he informed the President that the present policy threatens a complete breakdown of credit and that the only defense from a drift into unrestrained inflation is an "aroused and organized public opinion," to which he now proposes to contribute.

Not Consulted

But these are not the aspects of Mr. Sprague's resignation that most disturb business. The conservative mind is disturbed by Dr. Sprague's protest that, since he returned from the Economic Conference in London last July, he has had no opportunity to discuss fiscal matters with the President, that for months he has remained idle and silent in his office, hoping that there might be an opportunity for a meeting of minds and that the dangers he feels he foresees might be forestalled.

The exodus of "sound money" men from the Treasury has killed any impression that the President was still counseling with both schools of thought on monetary problems. That was a belief that appealed to a good many business men, who now will be disturbed to feel that the President's mind is closed on the subject, and who will express their opposition in louder and louder voices.

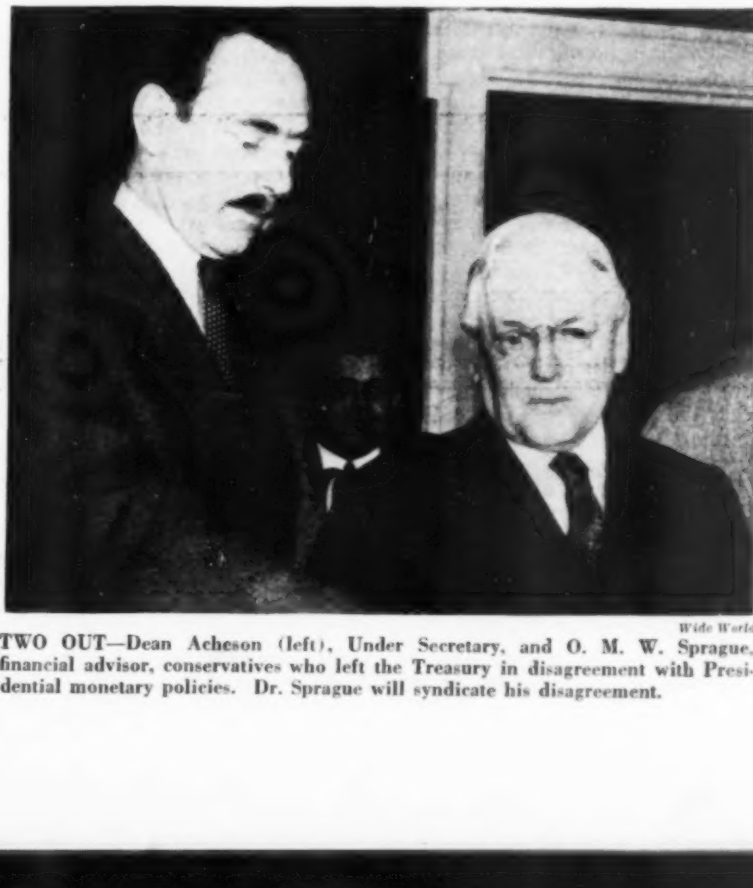
The alarms and concerns of business for the present have to do largely with the currency question and with all matters having to do with our credit structure. In this field few business leaders can accept the Roosevelt program as a whole, while organized business is preparing to give the Administration a real fight. Nor will banking, industry, and commerce be without allies. The American Federation of Labor, the American Legion, and similar groups have announced their opposition to currency inflation without being very clear as to what kind or what degree of inflation inspires their fears. Definition and particularization are expected to come from such groups soon to indicate the real strength and purpose of the opposition to the Administration's currency and credit schemes.

It is a noteworthy fact that few important business organizations have unequivocally condemned the inflation that has been accomplished thus far, but many have definitely rejected the methods used up to this time. Business seems mobilized to prevent what it fears, more than to correct what has been done. Those fears generally allude specifically to printing-press money and commodity dollars, and generally to the consequences of proceeding much further in the deflation of the dollar in terms of gold, or waiting much longer before stabilizing the dollar on a gold basis.

Greenbacks Not the Issue

While business is almost unanimous in looking with horror upon the possibility of resort to greenback money, it is generally admitted that the hazard is remote. The assumption is that the President would resort to fiat money only as a last desperate resort. Advocacy of it is confined to a few of the more radical of the President's advisers, who are under the pressure of farm politics.

On the other hand, the expectation of a commodity dollar is real and immediate. The President long ago promised a managed currency and the stabilization of the dollar at a purchasing power far below that which



Wide World

TWO OUT—Dean Acheson (left), Under Secretary, and O. M. W. Sprague, financial advisor, conservatives who left the Treasury in disagreement with Presidential monetary policies. Dr. Sprague will syndicate his disagreement.

has been accomplished thus far by inflation. Business is just being convinced that he meant exactly what he said. This leads to the assumption and the fear that currency will be manipulated for some time to come in an effort to increase purchasing power, to permit the liquidation of debts with cheap dollars and to bring about a redistribution of wealth.

Business is surprisingly complaisant in its attitude toward all of the Roosevelt policies aside from those touching currency and credit. Its position is fairly well represented by the Chamber of Commerce of the United States. The Chamber made public Nov. 18 a resolution expressing grave concern over the monetary situation and prospect. It addressed to the President a recommendation that he make an unmistakable declaration that government securities will not be driven lower by monetary action and that there be an "immediate announcement of intention of an early return to a gold basis, with complete avoidance of monetary experiments, greenbackism and fiat money, and with complete recession from theoretical and arbitrary ideas of 'price index' fixation of the value of gold."

Two days later Henry I. Harriman, president of the Chamber of Commerce, said in a public speech discussing NRA and AAA:

"It is inconceivable that these two important measures should ever be entirely abandoned, for self-preservation demands that an orderly economic life replace the chaotic business and industrial conditions of the last five years."

Credit to NRA and AAA

While there is an important minority of business which holds that such recovery as has been accomplished came about in spite of, rather than because of, government schemes, Mr. Harriman probably speaks for a majority of business in crediting NRA and AAA with being the principal influence for betterment. Mr. Harriman and the Chamber of Commerce offer certain constructive criticisms of both acts, and see one real menace in them, which is bureaucracy.

The Chamber of Commerce expresses the fear that our present monetary course carries the threat of instability of employment, demoralization of exchanges, harmful repercussions on domestic and foreign trade, and a definite reversal of the recovery process which should be based upon the decisions of individuals and not of government. It recommends an early return to a fixed gold value for the dollar, balanced public budgets, and the removal of restrictions upon foreign trade.

Practically all of the protests against fiscal policy stress the belief that public confidence cannot be restored while an unstable currency is the subject of official experimentation, and that the credit of the government itself is threatened by this lack of confidence. The recent decline of government bonds is cited in evidence. In this connection we are reminded of 1920, when government securities fell to a discount of 15%. The analogy is not complete. Flight from the dollar undoubtedly was an important influence in depressing government bonds recently. On the other hand, their decline in 1920 was but a part of the failure of the whole credit system, and largely reflected money market conditions at a time when call loans were ranging from 6% to 25%.

Opposition Lineup

The forces rapidly being mobilized to oppose the Roosevelt currency policy include not only leading business associations, but organizations which have in the past had an important influence. State chambers of commerce, most active of which are those in Illinois and New York, are joining in the movement. An impressive list of business leaders of Chicago expressed their protest with an unequivocal condemnation of currency experimentation. The National Industrial Conference Board has been the most outspoken among the important business organizations to criticize NRA, taking the attitude that the recovery administration plan will stifle individual initiative and destroy something of the fundamental genius of American business. The National Association of Manufacturers is offering leadership to see that business has its say in code enforcement and attacks the legality of closed shop agreements under NIRA.

Globe

U. S. STATISTICIAN—Winfield Riefler, as head of the Central Statistical Board, gathers no statistics, replaces no present agency, rather coordinates figures gathered by all research divisions—including the Federal Reserve.

Bankers and all of their organizations have been notably pacific. None of these groups as yet has taken active leadership in opposing the Administration's currency policies. They have become constructive in their criticism of the Banking and Securities Acts.

Defending Forces

The principal organized defense of our monetary policy comes from the Committee for the Nation, the Monetary League, and farm organizations. The older and more conservative of the agricultural groups are giving the President full support. Radical farm associations are criticizing, and occasionally attacking the President for not going immediately into greenback and silver inflation.

There is a conspicuous lack of agreement, if not of confusion, on the part of Administration critics as to what they would substitute for the present policy. Few, if any, express any desire that we should return immediately to the old gold parity of $20.67 to the ounce. After reading all of the protests, it may be assumed that the majority feel that gold manipulation cannot accomplish the ends sought, that we have gone far enough, if not too far, with the experiment, that the dollar should be stabilized at some point certainly not lower than its present level, and that we should return to a gold basis as soon as possible.

The important thing is that the protest against our monetary policy is supported by some of the most important groups in the country. Present indications are that Mr. Roosevelt is giving little thought to the possibility of his being forced to yield to such pressure.

Shifting Dollars

Bankers, anxiously watching drive on the dollar, expect ebb tide of capital to make swift turn once we begin to drive in the peg.

FLIGHT from the dollar and speculation for its decline seem to have been more effective in bringing about technical inflation in the last fortnight than the arbitrary gold prices announced by the government. The Reconstruction Finance Corp. has been wary and almost timid in its gold price policy and yet the dollar has continued to decline.

For 5 consecutive days last week, the official gold price was unchanged at \$33.56 an ounce. At the same time the gold price in terms of francs fluctuated from 58.46¢ to 61.65¢. From Nov. 13 to Nov. 22 inclusive, the official gold price was advanced 31¢ an ounce and the dollar in terms of those prices declined ½¢. In terms of the franc it declined nearly 2¢. As Dr. Sprague wrote:

"When a government announces its determination to depreciate its own currency it can certainly accomplish that result, and without the necessity of acquiring any considerable amounts of gold in other countries, since no sensible person will desire in such circumstances to acquire more of the currency."

Gold Value Down 5c

An increase of 10¢ an ounce in the official price for gold was announced Nov. 20, the day the United States Chamber of Commerce issued its condemnation of the Administration's currency policy. The Treasury, however, continued to show caution in its market operations and left the price unchanged at \$33.76 the next day, Wednesday. This marks a decline of approximately 5¢ in the theoretical gold value of the dollar since Oct. 25.

The flight from the dollar has been substantial, although no figures are available on which to base a credible estimate. Bankers here and abroad guess all the way from \$1 billion to \$4 billions. The total probably is much nearer the first figure than the second. Even so, bankers are giving concerned attention to the problem of stabilizing currency, once the Administration is satisfied with the level to which it has been adjusted.

Such shifts of dollar balances as can be observed and counted are almost all made in such fashion that the accounts involved could be repatriated quickly. In addition, bankers and investors all over the world have been inquiring of American authorities as to the probable stabilization point and seeking cabled advice when that point is reached. These developments on their face suggest to many bankers a great rush of capital back to this country, once there is any official admission that the campaign of dollar depreciation has ended.

The background of the currency manipulation scheme and of the Roosevelt recovery policy as a whole suggests that itinerant capital which has escaped the dollar will not be unanimous in a decision to return to the country the moment the stabilization point is indicated. It suggests also that there will be stubborn adherence to the gold inflation policy and a considerable future decline in the dollar under its operation.

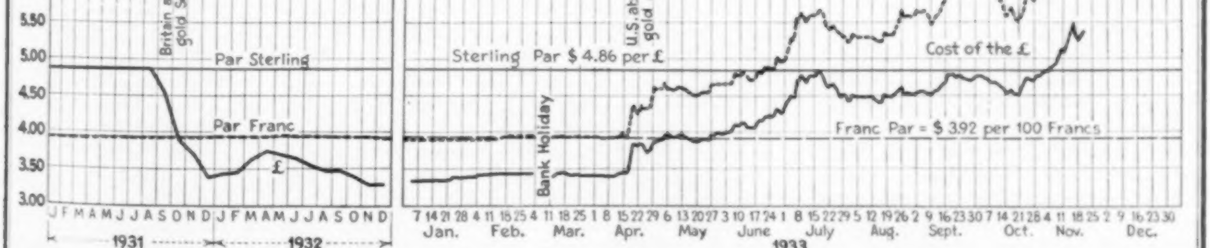
In the first place, all signs indicate that the President has no intention of trying to revalue the dollar in terms of gold for many months to come. Under his commodity dollar plan he probably expects never to stabilize currency in the sense that bankers are talking of stabilization. The President has remarked several times recently that Great Britain went off the gold standard 2 years ago and is not yet ready to stabilize. He asks why we should be so impatient.

In speaking of its determination to increase commodity prices to the pre-war or some other desirable level by inflating gold and depreciating the dollar, the Administration seems to have farm prices primarily in mind. Some guidance in regard to Administrative policies may be found in a *Consumers' Guide* issued Nov. 14 by the AAA. Among other things, this pointed out that, while farm prices are 43% above the low of Feb. 15, 1933, they still have far to go to catch up to the pre-war level. On Oct. 15 they were but 70% of the average of the 5 years ended with 1914. This would seem to indicate that farm prices must increase another 43% before the dollar price level is satisfactory. It is assumed also that farm prices must advance much further and faster than other commodity prices.

Profits Will Set Pace

Money is said to have no patriotism. The expatriated dollar might return in a great flood, as some bankers fear, and yet these same bankers admit that the dollar will return only when there is a prospect of greater profit here than where it is now employed. Indications of an Administration policy of supervising business and limiting profits except those of agriculture may have an important bearing upon the return of American capital from abroad.

Many international bankers who anticipate such a return of American capital do not believe that the event will necessarily wait for a definite fixation of the gold content of the dollar. To their mind, it will be necessary only for a stabilization point to be reached, how-



Business Week

THE OTHER SIDE OF THE DOLLAR—What it costs to buy a British pound or 100 French francs these days. England abandoned the gold standard in 1931. The pound cost less than \$3.30 at one time in 1932, began to climb when the dollar left the gold standard. Since the first of November, sterling has cost more ththan the old \$4.86. Francs have climbed steadily since we left gold. The dearer francs and pounds become, the more will America be inclined to trade at home where "a dollar is a dollar."

ever it is proposed to maintain that point. They believe that, once our currency manipulation is at an end, there will be a world-wide feeling that America offers greater opportunity to capital than most other countries. Furthermore, they doubt that inflation is having any important statistical effect on that opportunity. In this connection it is pointed out that, while the average of New York stocks today is almost double the figure of the low point of last February, those prices have shown an increase of but 16⅔% in terms of gold.

Commodity Barometer

There is a lag in the rise of commodity prices under the gold-buying program, but key commodities have responded more than the average in many cases.

It was in a Sunday evening radio address on Oct. 22 that President Roosevelt announced his gold purchasing policy. The avowed purpose was to increase the rate in dollars which would be paid for this gold. The ultimate goal was to be a return of commodity prices up to the 1926 level.

In the 4 weeks which have elapsed since the plan was announced, there have been many loose statements regarding its success or its failure. Because there is such a divergence of opinion, *Business Week* has tabulated a summary of the key factors in the situation so that its readers can form their own opinions.

In the table on this page there are 2 sets of prices for the commodities which bulk largest in annual volume of business. The first column is the spot price quoted on Saturday, Oct. 21, the last day of active trading before the President's new policy was announced and therefore the last day on which prices were unaffected by the anticipated inflation. The price for gold in this case is the price which was set by the Treasury under the earlier plan of buying newly-mined domestic gold to aid gold miners. The first official RFC quotation did not come until Oct. 25, was $29.80, was at once higher than the open-market price for gold in London on which the previous Treasury quotations had been based.

How Prices Move

The second column represents prices for these same commodities on Nov. 21, the latest quotations available. The per cent of change, tabulated in the third column, theoretically measures the success to date of the President's scheme.

The price paid for gold has been deliberately increased more than 16% in the 4 weeks the experiment has been tried. Commodity price reactions have been far from uniform, though there are certain explanations for some of the variations.

The price movements in the major farm commodities are of primary interest as it is relief for the farmer that the President has promised to speed by his plan. The price of oats has advanced most spectacularly because their is an unusually short crop. Corn and rye prices are lagging only slightly behind the pace set by gold. The price of wheat, while more than double the low for 1933, has gained only 3.7%.

Stock farmers have fared less well than the grain producers. Beef and pork prices are actually lower now than they were on Oct. 21. Lard is suffering from greatly diminished export demand following new trade barriers, especially in Germany, but has sold at slightly higher levels than a month ago. Wool prices failed to advance. Hides have moved less than the average.

Cotton, one of our major farm crops and our most important export commodity, is following the gold price with only a small lag.

Silver has outstripped gold in the price race due, largely, to the anticipation that it may become a factor of new importance in international monetary reorganization. Copper is steady on firm control by producers.

Six important commodities are supplied primarily from abroad and the price therefore is immediately affected by the declining exchange value of the dollar. The long decline in the price of silk has not been stemmed by the drop in the dollar value. Sugar also is selling at lower prices on declining demand and heavy oversupply. Rubber and tin prices have advanced spectacularly both on the reaction to declining dollar values and rapidly increasing industrial demand. Cocoa and coffee have responded more modestly.

Most Sensitive Ones

Business Week's table is made up entirely of commodities sold regularly on the great commodity exchanges. With a ready market in which buyers and sellers can meet, and with the machinery for regular sales well established, and with the speculative element immediately active during a period of inflation, it is natural that these commodities should be far more sensitive to the changes in the President's policy than any inclusive list.

In fact, it is the inclusive commodity indices which are usually quoted to show that the President's policy has had almost no effect on prices. The U. S. Bureau of Labor Statistics' wholesale price index, which includes 784 commodities, advanced less than 2% in the same period covered by prices in the

What Roosevelt's Gold Policy Has Done to Prices

Representative commodities have followed the gold price with surprising mobility

	Oct. 21, 1933	Nov. 21, 1933	% Change
Gold, per oz	**$29.01**	**$33.76**	+16.4
Wheat, per bu	**83½c**	**86⅝c**	+ 3.7
Corn, per bu	**41⅞c**	**48⅛c**	+14.9
Oats, per bu	**26¼c**	**35⅝c**	+35.7
Rye, per bu	**69c**	**78⅛c**	+13.2
Flour, per 196 lb	**$6.63**	***$6.83**	+ 3.0
Beef, per 100 lb	**$9.00**	**$7.50**	−16.7
Lamb, per 100 lb	**$11.50**	**$12.75**	+10.9
Pork loins, per 100 lb	**$12.75**	***$10.50**	−17.6
Lard, per lb	**5.6c**	***$5.95**	+ 6.3
Sugar, per lb	**3.2c**	**3.15c**	− 1.6
Cotton, per lb	**9.05c**	**9.95c**	+ 9.9
Wool, per lb	**83½c**	**83½c**	0
Hides, per lb	**10c**	**10½c**	+ 5.0
Copper, per lb	**7½c**	**8¼c**	+10.0
Zinc, per lb	**4¾c**	**4½c**	− 5.3
Lead, per lb	**4c**	**4.3c**	+ 7.5
Silver, per oz	**36⅞c**	**44½c**	+20.7
Tin, per lb	**46.2c**	**55¼c**	+19.6
Coffee, per lb	**8⅞c**	**9¼c**	+ 4.2
Cocoa, per lb	**4.25c**	**4.8c**	+12.9
Silk, per lb	**$1.55**	**$1.50**	− 3.2
Rubber, per lb	**7c**	**9c**	+28.6

***Includes processing tax**

Globe

CODE CONSTRUCTOR—S. F. Voorhees, chairman of the code committee of the Construction League, is a member of the new committee which will sit down again with labor.

table. But this index intentionally includes scores of commodities which sell in only minute quantities and affect the buying power of relatively few persons in this country. Irving Fisher's index of wholesale prices, including 200 items, advanced less than 1% in the period under study. Moody's index of spot prices on 15 commodities was more sensitive, advanced nearly 6%. And in this index wheat, cotton, and hogs are most heavily weighted.

Whether or not the President's gold program achieves its end, it is important to remember that individual and group commodity prices are not likely to keep up with it. The gold price is arbitrarily set, and is independent of supply and demand, two factors still affecting other commodity prices. Close check on week-to-week prices for certain key commodities will prove a much more sensitive barometer of the success of his plan.

Re-Construction

Labor and industry try for a new start on the construction code.

OPENED up for an airing last Monday, the construction codes (*BW—Nov 18'33*) blew off merrily for one crowded day, with General Johnson sitting through the session and Division Administrator Malcolm Muir handling the gavel. Industry declared that, without the centralization of the codes, the construction business could not revive, but that with them, and with the understanding among the units of the industry and with labor that the codes provide, a very considerable amount of privately financed building might soon get under way. Labor presented its side, headed by William Green, president of the A. F. of L. and M. J. McDonough, head of the Building Trades Department of the Federation.

Mr. Green contended for a separation of the building industries from the general code, on the ground that labor and working conditions were entirely different, held that the 40-hour week was absurd under present employment conditions, that scales for different grades of labor should be written into the code, that labor should share with industry in the formation of a joint industrial relations board. Mr. McDonough said that there were provisions in the Construction League code designed to destroy all guarantee of collective bargaining but startled the hearing by demanding an adjournment and further conferences between industry and labor—with plenty of chance for success in reaching an agreement, he said.

Since it had apparently been the idea of the NRA from the beginning to hold this hearing and move on to getting the code writers and the labor leaders to sit down together again, the hearing was adjourned until Monday, Nov. 27, when a committee named by Division Administrator Muir will report. The committee has an interesting setup: 2 members from NRA, 2 from the Construction League, 2 from the Associated General Contractors, 2 of the special contracting groups which are in full sympathy with the master code, 2 from organized labor, 2 from the Building Trades Employers Association which recently submitted a proposed code containing all the union labor provisions, and 2 from the special contractor group which is in favor of putting the wage scales demanded by labor into the codes. Six on each side of the issue and the balance of power in the hands of the 2 from NRA.

Self-Government, Limited

NRA's code enforcement plan keeps industry in the junior partner's chair.

GENERAL JOHNSON has finally come forward with NRA's response to the Swope Plan (*BW—Nov4'33*) and to industry's demand for a clarification of its place in code enforcement. It isn't the Swope Plan, turning the whole job over to a federation of trade associations; the government's hand still lies heavy on "compliance": but it may become a working compromise.

There is assurance that as complaints on trade practice violations come through the regional compliance offices (district offices of the Bureau of Foreign and Domestic Commerce) they will be turned over for investigation and corrective efforts by the code authority of the industry concerned—if such an authority has been set up.

If an industry has provided under its code for a labor committee with adequate representation of labor, complaints affecting wages, hours, and working conditions will be referred to that committee. In addition, industries will be urged to set up local labor committees on the theory that labor must have opportunity to file its complaints locally and without red tape. But where no such labor agencies have been established, the local compliance boards will act, or may refer disputes to the National Labor Board.

However, these facts remain: Code authorities are to include government representatives with veto power, and "the ultimate responsibility for efficient code administration lies with NRA"; it will supervise the code authorities; it will administer directly wherever industry falls down or "where certain functions by their nature should be performed by government."

The gist of this is that it's up to industry—within limits. The weight of the government hand will be lightened as industries put their own code authorities in the saddle and show capacity for handling their own reins, but it will never be entirely lifted, according to the present program. "The government veto power is the substitute for the anti-trust law in this new set-up," says General Johnson.

While there are kind words for trade associations, "it being the policy of the Administration to build up and strengthen" them "throughout all commerce and industry," it was noted that they are just wings, not foundations, of this structure that the General sketches. Trade association men in Washington thought that "objectionable" features could be ironed out as the program developed, were encouraged by the statement that some of them are temporary attempts to "fill the blanks in industrial self-government." A code authority organization committee in NRA will help industry into the saddle.

Globe

THE BLUE EAGLE COMES HOME TO ROOST—Workers in the NRA offices figured Blue Eagle hours were just as desirable for Blue Eagle workers, organized for their share of "collective bargaining." President Green was happy to extend A. F. of L. support. General Johnson got the idea, "recognized" the union. Here are John Donovan, president, and Margaret Stabler, secretary-treasurer.

New Codes and Code News

Steel likes its 90-day NRA try-out, retailers are worried about markup, food industry may be split, air transport interests find something lacking.

WITH some of the industries already operating under NRA codes finding the experience much less bitter than expected, others welcome the accelerated speed at which hearings and final approval are going through under NRA's simplified setup (*BW—Oct14'33*). Total of approved codes now stands at 122 with several important industries recently added to the list.

The air transport code, as finally approved is not altogether satisfactory to many of the constructively thinking members of the industry. They take no exception to the labor and wage provisions, are willing to abide by whatever wage schedule for pilots will eventually result from the activities of the fact-finding committee set up. They would have liked more adequate regulation of new competition. As it now stands newcomers can invade established routes without restriction after merely giving evidence of compliance with such standards and conditions of operation as the Code Authority shall prescribe. Leaders in the field contend that, in addition, a certificate of convenience and necessity should have been required, so as to protect more adequately the record of safety and regularity that has been built up by the pioneer operators.

The code problems of the food industry have been only partially solved by approval of a labor code for the wholesale food and grocery trade. This covers merely wage and hour schedules for the several classes of workers, with differences in minima of wages based on the size of cities, number of hours and nature of work involved. Meanwhile, the master code for the food industry once more has emerged from the sanctum of the AAA, and the committee headed by Paul S. Willis, full-time president of the Associated Grocery Manufacturers of America, is said to have great hopes of impending agreement and early approval by the President. Insiders claim that separation of the manufacturing group from the distributing group of the industry is in process and that separate codes for the various manufacturing and processing branches are in the works. They cite in support of that theory the fact that the Food Advisory Committee of the AAA has resigned, obviously because the need for such body will not exist under the forthcoming setup.

Markup Finesse

There is still much speculation in the food industry as to the ultimate fate of the provisions for a minimum markup which retailers and wholesalers prayerfully inserted as a means of easing their competitive position against the loss-leader selling of chains. The opinion prevails that a fixed markup is definitely sidetracked but that, as a compromise, AAA officials will sanction prohibitory provisions against a clearly defined "loss-leader."

Retailers under the general retail code have heard rumblings about an impending elimination of their markup to cover store labor cost in favor of a new rule on loss-leaders, fear that while the general retail community has rested on its oars, opponents of the compromise markup clause have been busy converting influential officials to their views.

Members of the newsprint industry welcome the approval of their code as a means of improving conditions in their field. However, while the provisions cut their 48-hour week to 40, swell the payroll, and mean an increase of 10% in the employees, higher prices for newsprint still seem far removed. Against 1929 prices of $65 a ton, 1934 contracts are being offered at $30 to $35. Costs have risen as production has dropped from capacity to less than 60%. American mills turned out less than half of the 2,800,000 tons of newsprint used by American newspapers in 1932. In submitting the code, General Johnson stated that 5 out of 8 of our largest producers in the United States are in receivership.

Steel Stands Pat

Meanwhile, the steel industry has notified the NRA authorities that its 90-day test period had shown highly satisfactory results, has asked and been granted an extension to May 31, 1934. In its report on the effect of the code the American Iron and Steel Institute quoted some interesting figures.

Composite prices had been increased from 1.979¢ to 2.015¢ per pound for finished steel, from $15.94 to $16.61 per gross ton for pig iron. Despite the fact that during the June-September period volume of business decreased by 10%, from 46% to 41% of ingot capacity, employees rose by 73,000 or approximately 22%, wages increased approximately $6½ millions, or about 21%. If operations continue at approximately the same rate annual payroll will be about $78 millions higher. Working hours of individual employees dropped from an average of 39.2 hours per week to 32.8 hours, 16%, while average earnings increased from 52.8¢ an hour to 63.6¢, over 20%.

Price-Fixing and NRA

Search of codes shows that several industries have found ways to protect selling prices without overt "fixing."

APPOVAL by President Roosevelt of the code for the cleaning and dyeing trade with its clear-cut provisions for price-fixing has aroused much speculation as to the possibility that it may foreshadow a general reversal of NRA's widely publicized opposition to price-fixing. Actually the case gains its significance only from the fact that it represents the first inclusion of such provisions in a code directly affecting the consumer, as contrasted with the identical, but indirect, effect produced by provisions in many codes long since approved and in operation.

In his letter of submittal to the President, General Johnson pointed out that the cleaning and dyeing trade had for the last 3 years been harassed by cut-throat competition and racketeering, stated that the resulting low prices were "at the expense of the various mentioned elements of the trade," that "in order to provide adequate wages and assure standards of quality for services rendered the Code Authority is vested with the power to establish and prescribe fair and reasonable wholesale and reail prices."

Indirect Approaches

However, students of NRA point out that several codes that have gone through the works contain precedents for both the principle of price-fixing approved for the cleaners and dyers and the principle of a minimum mark-up for which the retailers asked approval. In support of their contention that NRA has, from the very beginning, put through codes that, in effect, produce price-fixing, they cite the so-called open-price plan, first approved in the code of the electrical manufacturing industry, since included in many other codes, and the basing-point plan, first approved in the steel code and now part of several codes awaiting approval.

Under the open-price plan (*BW—Aug19'33*), manufacturers "voluntarily" establish prices on their products and discounts for various classes of buyers to apply to established "list" prices, then send them to a central agency some days prior to their effective date. Other manufacturers of similar products are supplied with copies and given ample time and opportunity to follow suit if they so elect—and they generally do. The net result is that products sold under the open-price plan cost the wholesaler or retailer a fixed amount regardless of which manufacturer supplies them and naturally the final consumer pays for them in proportion.

The plan has been found so desirable for peaceful and profitable marketing of highly standardized products that, after its approval in the code for electrical manufacturers, many other important industries wrote it into the codes which have since been approved by the President. Among the industries now operating under some sort of open-price system are those manufacturing cast iron soil pipe, salt, oil burners, underwear, ice, farm equipment, laundry and dry cleaning machinery, compressed air equipment, pumps, steel tubular and firebox boilers, fertilizer, gas cocks.

As a medium for establishing a fixed basis of prices, the so-called basing-point plan is no less effective. In its instructions for operation of the basing-point plan, the approved steel code specifies basing points for 32 groups of products. The procedure by which a manufacturer "voluntarily" establishes prices is somewhat similar to that used in the open-price plan and has the natural result that each manufacturer finds it desirable to follow the leader with prices that become fixed at the level which the leader elects to establish. Since its approval in the steel code, the basing-point plan has been included in the code for the lime industry, but the latter failed to include any penalty like that $10 a ton fine imposed for violations of the price system of the steel code.

Thus, fixing of prices has been part of the NRA process, no matter by what name the system may be called.

Citing the Precedents

Similarly the principle involved in the minimum mark-up for retailers, widely attacked by many factions, subject of many and lengthy conferences between NRA and AAA officials, actually is well entrenched as a cardinal requirement to sound business practice, if the provisions of 90-odd per cent of all approved codes be taken as precedents. The very first NRA code approved by the President and practically every code approved since then contains some provisions against selling below cost. The early codes merely proposed to include in cost such obvious factors as raw material, transportation, warehousing, certain overhead. Soon the codifiers realized that cost would remain too flexible a factor unless determined by some uniform method of procedure and so the majority of codes rule against below-cost selling, and provide that cost be determined by an adequate *and uniform* system of accounting as approved by the authorities nominated to administer the codes.

From this, some critics have argued

Acme

RELIEF BEGINS AT HOME—Secretary Ickes (speaking) tells the governors assembled in Washington how their states hook into the federal program. Harry L. Hopkins, Relief Administrator, waits his turn to talk about the civil works plan.

that NRA is willing to let the producing branch of business stabilize its competition through ironclad rulings against below-cost selling, while it is still bickering over the paltry 10% minimum that retailers wanted in face of a national average cost of doing business that, according to the U. S. Census of Distribution, was 24.83% of total sales.

Those who believe that many of the ills of business could be permanently cured with benefit to the consumer, if below-cost selling could be banned from all branches of business activity, believe that NRA has the opportunity to accomplish this. They suggest that the provision drawn up by NRA as a working basis for the prohibition of below-cost selling and understood to be incorporated in the forthcoming cement code might well be made mandatory in all codes to protect capital, as the famous Section 7 (a) has been made mandatory for the protection of labor.

This reads in essential part: "It shall be an unfair method of competition for any producer to sell any article at less than his expense of manufacturing.... Manufacturing expenses as used herein shall include all direct labor, and material (at cost or market, whichever is lower) plus a proportionate share of all indirect expenses, inclusive of maximum depreciation and/or depletion allowances computed according to the income tax procedure; but not including allowances computed for any other purpose than depreciation, interest paid, developmental expenses, that portion of executive salaries over $10,000, or selling expenses."

Code Hearings

NRA puts codes together, prepares to take complaints apart.

LONG-PREDICTED consolidations of codes have begun by NRA. The agricultural implement code will be reopened next week to take in certain of the large groups which, at their own request, were formerly specifically exempted from the code in its approved form. These include such groups as the barn equipment and bee-keeping equipment industries. Others are expected to follow; even the mop-stick industry may yet combine with the wet-mop and dry-mop industries. The two methods of procedure in combining codes—before hearings and after hearings have been held on smaller units—are being followed as the case warrants.

Next week's hearings (only one day is to be taken off for Thanksgiving) include: Nov. 27—restaurant trade (with 1 million workers in 240,000 restaurants involved), paper disc milk bottle cap, cylindrical liquid-tight paper container, marine auxiliary machinery, inland water carriers of northern section of Eastern division of U. S., venetian blind, grain exchange, surgical industry and trade, industrial laundering and cleaning, cotton garment; Nov. 28—commercial stationery and office outfitting, Great Lakes shipping, goldfish, dry color, shoe and leather finish polish, cement manufacturing, concrete pipe, light sewing; Nov. 29—sanitary milk bottle closure, mirror manufacturing; Dec. 2—fibre can and tube, optical wholesaling.

Another hearing is on the program. Two weeks ago Colonel Louis McHenry Howe, secretary to the President, who radiocasts trial balloons (and other remarks) on Sunday nights, told the people that invitations were going to be put up in post offices inviting everybody to send in complaints about profiteering and price-upping under Blue Eagles and NRA codes. General Johnson, returning from his Western tour, set Dec. 12 as the date for hearing these complaints. Many think the Colonel and the General have stirred up another Blue Eagle handful. But it ought to be interesting.

Consumer Credit

Washington weighs proposals for putting the government into the small-loan business.

PLANS are being discussed in Washington for putting the government into the personal-loan business. Officers of the Morris Plan Bank, automobile and commercial credit institutions have been called to the capital, and studies of the bases of "loans on character alone" are now being carried out. The idea is to make these loans, if the plan is approved, to any person of good character who has a job and wants to spend, in advance of income, on permanent improvements of property, legitimate purchases in keeping with his income, etc., the money to be repaid out of pledges of a portion of salary definitely allocated by the borrower. There would be no co-signers of the notes, and the investigations of the risks would be carried through without cost to the borrower. The interest rate would be "low."

Proponents of the plan point out that there is a great shortage of this type of credit and that, in the past, it has meant much to business. They argue that the safety of consumer credit is demonstrated by the fact that the losses of the Morris Plan banks and automobile and commercial credit companies are about 2% even now, and their bonds find a ready sale at extremely law rates.

There is considerable active opposition to the plan, particularly to contentions that the present 15% to 24% interest rates could be cut by the government. Opponents say that such rates alone make possible the meticulous investigation necessary. They also object that the collection of payments from salary would put a high additional cost on employers, and feel that the absence of collateral, and of information about the outstanding bills and buying habits of the borrower's family would all combine to make the proposed experiment a risky business. "A disguised dole and a very thinly disguised one," is the way they describe it.

The proposal may not get far, but its serious consideration and the lengthy economic studies that have been undertaken on it make it a matter of interest and significance.

Milk Price Issue

AAA, toeing the chain stores to its milk price line, gets into argument with the paper bottle.

AAA cracked down (recovery slang) on the chain stores and, incidentally, on the paper milk bottle when it cited A.&P. and American Stores Co. to explain this week why their licenses to sell milk in the Philadelphia area should not be revoked. Both chains are charged with having cut the fixed price allowed under the Philadelphia milk shed agreement of Aug. 25.

American Stores Co. is the spearhead of the battle of the paper milk bottle. Its explanation of price-cutting is that the paper container is cheaper to handle than the glass bottle, that it is justified in passing the savings on to the consumer. Proponents of the glass bottle question the alibi, dispute the savings. A.&P. got into the argument by meeting its competitor's price. Milk is used as a "leader" to bring in customers.

The Philadelphia crisis also brings up the old debate over the spread between over-the-counter and doorstep delivery prices on milk. Dr. Clyde R. King, milk czar at AAA, holds that 1¢ is sufficient spread. The paper milk bottle people insist that they can handle 1,000 quarts in a delivery car that will only take 250 in glass bottles and that, store delivery being in bulk, this means a saving of 2¢ a quart.

Meanwhile, a committee headed by Dr. E. W. Gaumitz, economist of the dairy section of AAA, is to study suggestions invited from the country on the best plan for "systematic control or adjustment" of the dairying industry. *Consumer's Guide*, house organ of the AAA Consumers' Counsel, Dr. Fred C. Howe, says this week that the farmer now gets 34% of the price the consumer pays for milk, as compared with 31% in February and, alas, 43% in September of good old 1929.

Business Week

FOR SLOW DRINKERS—This beer mug consists of an anodic aluminum cup mounted in a bakelite shell, insulated with Dry-Zero. It's supposed to keep the contents cool to the last drop. Very light, it does not fatigue the elbow.

Cigarette Fumings

Manufacturers absorb floor and processing taxes to keep down prices for awhile, but retailers tremble between cuts and raises.

FIRST month's trial of the special taxes imposed for the benefit of tobacco growers indicates that the cigarette industry was able to absorb its share without serious damage. These levies went on Oct. 1. They deserve credit for part of the sensational rise in cigarette consumption registered by government tax figures for that month. The increase over October, 1932, was 825 millions, the total reaching 9,176 millions.

Tax Maneuver

Actually, this does not mean that smokers relaxed their spendings to indulge in so many extra smokes. The bulge measures, partly, the influence of the tax on distribution. Jobbers and retailers eschewed buying in September because they did not want to be caught with large stocks on which they would have to pay the federal floor tax of \$.07686 per thousand. After crossing the deadline, all the manufacturers relieved customers' fears by paying the floor tax or the processing tax (amounting to between 12¢ and 14¢ per thousand) without raising prices. This undammed backed-up orders and restored a normal flow.

Cigarette astrologers maintain that there is a definite upward trend in smoking. September figures showed a jump of 216¾ millions over the previous year. But from the actual increase in cigarette puffings must be subtracted the results of a scare sales campaign engineered by wily jobbers.

These middlemen operate on a paper-thin margin. Prospects of having to pay the floor tax made many see red ink. In New York, particularly, a salesman would rush into a retail store and address the buyer in a whisper calculated to carry authority.

"There is a price rise coming. You'd better protect yourself by stocking up at present quotations."

A lot of retailers bit and had to meet the floor tax, which is applicable to stocks in excess of 30-day supplies. Much of the overbuying was turned back on the jobber, but his was the last laugh since the floor impost was definitely saddled on the retailer and returns could be unloaded before another tax date rolled around.

This maneuver of the jobber probably originated the rumors regarding price-raising that still persist. Retailers would like to hike prices but a murderous competitive situation still forces them to battle to prevent further cuts. The Great A. & P. Tea Co., which usually establishes the lower limit for retailers, has lifted its eyes and inched forward a little. Recently it initiated a price rise. In New Jersey and the New York City district quotations on Big 4 brands (Lucky Strike, Camel, Chesterfield, Old Gold) were increased from 11¢ a pack or 2 for 21¢, to 11¢ straight.

In another quarter a private vendetta threatened to flare into a free-for-all. Throughout the Metropolitan area, big cigar chains have been selling the four leaders at 12¢ a pack, 2 for 23¢; independent competition usually is 13¢ a pack, 2 for 25¢. But down in the Wall Street district was a rugged retailer who took down the carving knife and sliced his price to 10½¢ a pack. A nearby Schulte store promptly employed the retort dirty. It cut to 10¢.

NRA Intervenes

There was prospect of a city-wide war. A riot call to local NRA headquarters led to conferences. In a room thick with the vapors of their trade, the retailers first eased their emotions by belaboring each other with hurtful words, then reached a truce. Pending final solution, a minimum retail price was set at 12¢ a pack, 2 for 23¢, the established cigar chain quotation.

The Big 4 cigaretteers are humanly desirous of upping prices but are deterred for the present by two factors: Manufacturers have agreed that if the wholesale price of cigarettes is raised above \$6 a thousand, the increase will only be enough to take care of greater raw materials cost and increased NRA expenses (*BW—Oct21'33*). Secondly, the big timers do not want to lift prices from their present lows until the dangerous 10¢ brands (Paul Jones, Wings, Twenty Grand, etc.) have been subdued.

A counter-attack against the "dimeys" began last February (*BW—Feb22'33*) when the per thousand wholesale price of Big 4 brands was cut from \$6 to \$5.50. With discounts off, net cost was \$4.86. Jobbers and wholesalers claim that the scant margin between this cost price and what they get from retailers forces them to handle the business at a loss.

Working on 1 Mill

As it works out, a package of standard brands costs the jobber 9.7¢. He sells it for from 9.8¢ to 10¢. The retailer marks it up to 12¢ or 13¢. What (asks the jobber tearfully) can you do with 1 mill gross profit? The jobber gets a better break from the 10-centers; they cost him 8.4¢ and sell for 8.7¢. On the other hand the retailer usually makes a gross profit on the latter brands of around 1.3¢—as against a 3¢ profit on standards of the Big 4. Which will explain why jobbers extol the "dimeys" while retailers play them down.

Rumors of price raises by the Big 4 appear inevitable on examination of the

minute tolerances in which they operate. They receive $4.86 (net) for 1,000 cigarettes. Uncle Sam takes a gluttonous bite out of this—a $3 excise tax, a 12¢ to 14¢ processing tax for the grower. That leaves the manufacturer $1.72 to $1.74 for tobacco, factory costs, advertising, distributing, profits, etc., etc. Net receipts are 3¢ a package.

Big 4 Bear Down

So far the Big 4 makers have absorbed the processing tax, beirtg comforted, no doubt, by the reflection that it is a greater proportionate strain on the competing 10-centers. The latter must pay all expenses and extract a profit from a net of about $1.06 per thousand. (That is, net price to wholesalers of $4.18 from which must be taken the government excise of $3 and the processing tax of, say, 12¢.)

One factor that has enabled the 10-centers to make profits has been advertising expenditures much smaller than those of higher-priced competitors. If the Big 4 continue to apply the pressure of present low prices, they probably will shave many costs, especially advertising.

So far, makers of the "dimeys" have also absorbed the processing taxes into their old prices. One was astute enough to advertise the fact and gets his name in the papers. He was Wood F. Axton, head of Axton-Fisher, Louisville, maker of the popular 10-center, Twenty Grand, and the growing 15¢ specialty, Spuds. In Kentucky he is, of course, "Cunnel Axton." To his sensational success as a manufacturer, the Cunnel has earned renown as a salesman and public relations expert. He capitalized the revolt against huge salaries (was he thinking of American Tobacco's president, George Washington Hill?) by broadcasting the fact that his wage was only $10,000 a year. He also pointed out (was he thinking about good-will in the farm areas?) that our tobacco manufacturers earned $148 millions, net, in 1931, and only paid the growers $69 millions.

The Cunnel's aptitude in the sales field is not surprising when you examine his record. He began as a grocery salesman. Somebody gave him a collection of run-down cigarette machinery as payment for a debt. On this he started production and has been at it ever since.

Unlucky Strike

Detroit cigarette maker, sued by American Tobacco, counters with challenge that the company prove its advertising statements.

IN cigar store vernacular, a demand for "Luckies" means Lucky Strikes, American Tobacco's famous cigarette. Out in Detroit, Theodore Rogvoy, for reasons best known to himself and his maker, started the manufacture of a cigarette labeled "Luckies" and claimed a copyright on the name. American Tobacco came down on Mr. Rogvoy with all the might of its legal department. Suit was brought to prevent the manufacture of his Luckies. A restraining order outlaws their sale during the trial.

American Tobacco avers that the word Luckies appears on its packages, and in its advertising, that it has become a common law trademark and is accepted by the public as such. These things Mr. Rogvoy cannot dispute. But he counters with the claim that a complainant must come into an equity court with clean hands, otherwise it has no standing. He charges that American Tobacco's advertising indicates a "deliberate and studied attempt to deceive the public." Advertising statements are cited and proof of them demanded. The defense raises the interesting law point as to whether an advertiser must prove claims made in regard to his product if he is challenged to do so in a court of equity.

Furniture Sales

Prices held at mid-season furniture show and manufacturers see promise of quick pickup.

THE mid-season furniture market at Chicago didn't bring much in the way of new orders, but the price structure held. Manufacturers were encouraged. Dealers who held back in anticipation of a break in prices were disappointed. Some came into the market toward the end of the showing. Manufacturers believe that more buying will develop before the midwinter show, scheduled for early in January. They argue that August sales left many retail stores with stocks seriously depleted, say that, despite the September and October slump, prospects of even an average business will call for replenishing orders.

Employment Pickup

The furniture industry has made considerable recovery this year. According to the National Association of Furniture Manufacturers, employment rose from around 75,000 at the beginning of April to 120,000 on Oct. 1. Since then, possibly 10,000 have been dropped, but it would require only a moderate sales pickup to step up production again.

Market conditions, likewise, are much improved. At the summer show of furniture and allied industries, a chaotic situation prevailed with many manufacturers unable to make deliveries for 60 days and unwilling to take advance orders excepting at "prevailing prices on date of shipments." Today, most makers are in a position to ship at once, or in the near future. Furthermore, they are less inclined to sell at any material loss and are keeping close watch on increases in labor and material costs due to NRA codes.

THOSE INDEPENDENT WHEELS—General Motors calls them "knees" but individually sprung wheels are an old story abroad. This car, at the London show, illustrates one of the many means of gaining independent action for the front wheels—and a better ride for the back seat drivers.

Waiting for Cars

Automobile manufacturers sell more than they make; attention turns to new models. Ford will take his big show on the road.

AUTOMOBILE makers find themselves in a very good year-end position. October sales estimated at 133,000 were only 16% under the September total, and more than double the same month of 1932. Almost every maker sold more cars than were built, with the result that field stocks are unusually low, an actual shortage existing in certain models.

Both manufacturers and dealers, therefore, are ready for the new models. Manufacturers are bending every effort to make up for time lost in the die strike and the changeover to new springing systems, but volume production will not be reached in time to boost low November totals.

General Motors beat the gun on the wheel changes, breaking precedent by talking about new models before the formal announcement. All GM 1934 models will feature the independent front wheel suspension. Other makers, notably Chrysler, have been working on individual suspension, will include it in new models, but General Motors has stolen the show.

Ford, as suspected, will bring his spectacularly successful Detroit exposition to New York and Chicago, playing the big towns just ahead of the regular automobile shows sponsored by the National Automobile Chamber of Commerce.

Traveling Show

Billed as "a national exposition picturing the part science and industry have played in the advances achieved in motor car development since the advent of the first horseless carriage," called the "Ford Exposition of Progress," the Detroit show celebrated the founding of the Ford Motor Co. in 1903.

The evil-minded pointed out the Chicago Century of Progress and the similarity of names. Ford, the story goes, did not choose to run at the Fair, and watched his rivals operate the assembly line and the testing track at what turned out to be a successful pageant.

Whatever the reason for it, Ford's Big Show turned out to be a huge success in its own right. A million and a quarter people crowded into Convention Hall in 12 days to see how automobiles are made. Ford and his 175 suppliers put on a good act with the welding of bodies, machining of parts, weaving of fabrics, manufacturing of wheels and accessories. Even competitors conceded it to be perhaps the finest industrial show under one roof.

On Dec. 9, a month before the New York automobile show opens, Ford's show will open at the Port Authority Building, where 5 acres of floor space have been engaged. Two trains will be needed to move the exhibits from Detroit. As in Detroit, action will be the theme—action and free admission.

Significantly, the N.A.C.C. shows will feature more action in displays than has been the custom. There being many makes, instead of one, the noisier spectacles will be forbidden, as usual. There will be no actual manufacturing, but there will be plenty of action on cutaway chassis in operation, precision machinery, demonstrations of processes. To "even out the attendance," the day admission charge will be cut from 75¢ to 50¢.

Detroit Lost Strike

Tool and die makers, repulse cost Motor City plenty.

SALES MANAGER WILLIAM GREEN of the American Federation of Labor paid a visit to Detroit on Nov. 24, made an address on the automobile code, conferred with his lieutenants on plans for consolidating the gains made by the newly-chartered Automobile Workers Union which claims a rapidly swelling membership in automotive ranks, has formed some 20 locals in various southern Michigan plants.

But the first labor skirmish in the Motor City under the New Deal, the tool and die strike, fomented by the more radical members of the Mechanics Educational Society, had just ended with the strikers decidedly on the short end of the collective bargaining. The A. F. of L. didn't support them but must share in the setback to labor.

The M.E.S. won a lone point: that in rehiring men, employers would not discriminate against strikers. Otherwise, their score was zero. Wages were set at the same scale as previous to the strike, whereas a 25% increase had been demanded. The society was recognized in only one or two small independent shops, by none of the automobile manufacturers or large tool and die shops. Hours were limited, it is true, but no more than they were scheduled to be under the tool and die industry's code.

In the collective bargaining with the strikers, mandatory under the NRA, employers won a point. They insisted they would not receive a committee unless they were sure it represented their own employees. Accordingly, in most cases, the strike committee consisted of 4 employees, 1 outsider belonging to the M.E.S.

Among reasons for the strike's failure: (1) Public opinion wasn't impressed by the strikers' statement of grievances; (2) its leaders were inexperienced; (3) it failed to win the support of production workers; (4) it didn't draw out enough men from die shops of automobile factories; (5) too many good die makers, unemployed, were available to fill vacated jobs; (6) work could be farmed out too easily to shops all over the Eastern half of the United States not affected by the strike.

So Detroit lost, too. Some $10 millions of tool and die work was sent outside Michigan instead of being done in Detroit shops. Many small shops, already close to the financial brink, were shoved closer to the edge through the loss of contracts. Thousands of tool and die workers, facing their peak season, are going through it without jobs, some on the welfare list. And, with the beginning of the strike, many Detroit retail stores experienced a sharp decline in trade.

Finally, the automobile manufacturers lost valuable time in getting out new models. They gained in increased certainty that the threat of a production line strike was a false alarm.

Oil

Postponement of price-fixing may be permanent.

OPPONENTS of price-fixing in the petroleum industry seem likely to win by postponement. Hearings on the controversial question have been put over from week to week, the latest postponement moving the date from Nov. 20 to Dec. 5, which is past the original effective date of the price-fixing order. As a consequence, Secretary Ickes has postponed the effective date to Jan. 1, 1934, "subject to further extension."

Opposition has risen steadily in the many weeks since the Planning and Coordination Committee recommended the principle and set the first schedule. Last Monday, as hearings were about to begin, the anti-fixers succeeded in convincing the Planning Committee that the whole matter should be put off until the production control and marketing features of the code had had a fair trial. The committee will take 15 days to consider the proposals of the opponents of price-fixing; then, if a definite plan can be worked out, public hearings will be postponed another 90 days.

The industry hopes this will be a

permanent postponement. The various factions do not see alike on many questions, but they are generally agreed that quarreling should be done in private. If the hearings had been held, the industry would have split into two camps —and the government, in the person of the Oil Administrator, would have stepped in and taken over, as governments have a way of doing when an industry can't make up its own mind.

As mentioned before in these pages, there is nothing mandatory in the matter of price fixing. The Administrator can invoke it or not as he sees fit. If by withholding it he can gain the more active cooperation of important elements of the industry in the enforcement of its code, if by such cooperation from within it becomes possible to wipe out overproduction, bootlegging, cutthroat marketing, then the policing of prices may not be necessary.

To further this end, Ickes announces a strict enforcement of the code, using every resource of the department. He has set up an expert legal division of the Petroleum Administrative Board to prosecute in the courts; an investigating division under Glavis collaborating with the Department of Justice. Six special assistants to the Attorney-General have been appointed, and 10 men have been added to the regular legal staff.

At the wells, at the refineries, and at the gasoline pumps, control is being tightened to stop the running and selling of illegally produced oil. Strict enforcement of the marketing section is due.

With price-fixing decently closeted for the time being, another skeleton in the industry's past is rattling again. Pipe lines, bones of contention between big and little companies, are once again accused of being an evil influence. Again, their owners are insisting that pipe lines are refinery adjuncts, not common carriers. Again, the government is "about to investigate" them.

Like price-fixing, pipe line investigation may turn out to be mainly Administrative strategy. Both are fine bugaboos for frightening the recalcitrant into compliance.

New Steel, New Stock

Barium Steel Corp.'s 9,000-word prospectus is the first industrial issue under the Securities Act.

NEW YORK was interested this week in the first industrial offering under the new Securities Act—barring distilleries and breweries. The Barium Steel Corp. offered 5,000 shares of Class A convertible common stock at $45 through J. A. Sisto. The prospectus ran 9,000 words. It was reprinted entire in the New York *Times* at an estimated cost of $1,200, which is 24¢ a share.

Those who had the patience (and the eyesight) to wade through 4 columns of agate type got a kick out of it. Set forth were the profit to the underwriters, the compensation to the organizers, elaborate balance sheets, and a wealth of detail concerning the company, its hopes, plans, and prospects.

Prospects and Objectives

Barium Steel Corp. has 3 objectives. It will make alloy steels; it will sell barium compounds to other steel makers; it will sell or license a new patented open-hearth furnace which it asserts is the first open-hearth furnace that will produce the heats necessary to turn out alloy steels, at a great saving under electric furnaces, and the first which can utilize stainless steel scrap.

Dr. Rentschler, quoted in the advertisement, says the big saving in time is accomplished by the design of the furnace, a recent modification of the Bosshardt furnace used by a dozen European manufacturers and patented in Germany and the United States. By means of a directed flame from gas generators at each end of the furnace, and the usual pre-heating of gas in regenerative chambers, a blow-torch action is obtained upon the metal. The flame also produces the equivalent of a controlled atmosphere and in that way avoids the high oxidation of the stainless scrap that otherwise would take place in such rapid melting.

Barium is used in two ways, to reduce the carbon content and as a fluxing medium, running off in the slag with the non-metallic constituents. Experts in stainless steels have not heard much of the process and some of them are critical; they believe the effort to buy much stainless scrap from fabricators of stainless will immediately raise the price in this very thin market to an extent where only a superlative process could show much saving. They admit that flame direction is good to a certain point, but it does not exclude oxygen completely nor altogether prevent burning up the scrap. Complete control of atmospheres would be too expensive. They doubt whether any open hearth design could greatly improve on the present average of one heat every 8 hours. Dr. Rentschler says a complete demonstration was made at Canton a year ago. The company will probably start completing the furnaces in Canton next week and hopes to begin operations around the first of the year.

Bond Notes

Wall Street infers the long pull no longer looks like a strong pull.

ONE of the spectacular devices used to help Mr. Hoover check the depression was the American Securities Investing Corp., a blind pool organized by 20 of the leading New York banks in June, 1932, to buy high-grade bonds for "the long pull." That pool is now in the last stages of liquidation, having paid back 80% of its $35-million commitment.

At the time the pool was organized bankers stressed the point that purchases were being made on a business basis for profit only. Liquidation of the pool has been interpreted by some in Wall Street as indicating that the bank sponsors no longer see a profit in long-pull investments in high-grade bonds.

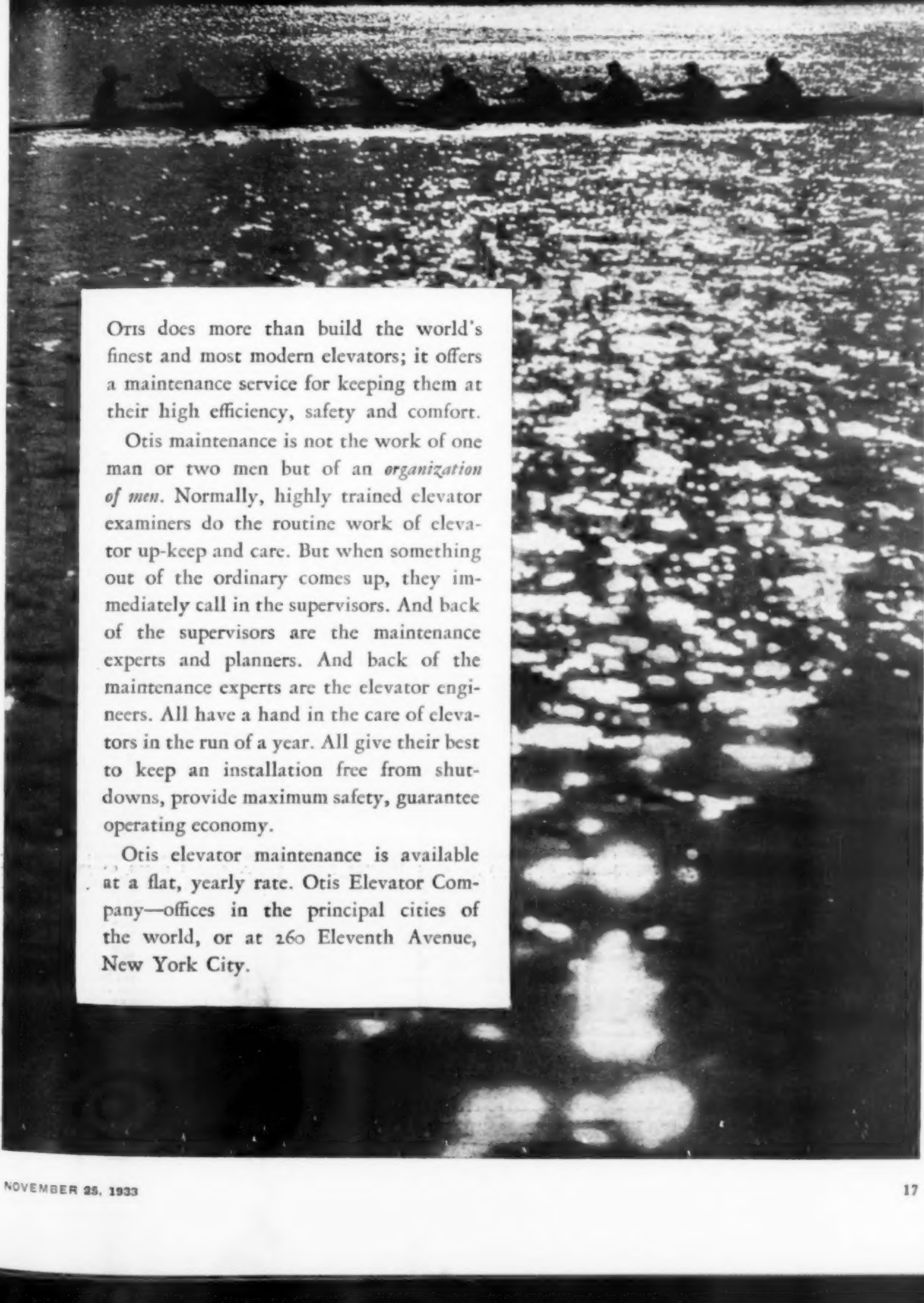
The 500,000 American owners of foreign bonds, of which $2,500 millions are in default, find some promise in the announcement that the American Foreign Bond Holders Protective Committee will be organized and functioning within a few days. This is the group which met at the invitation of the President with the Department of State and Treasury more than a month ago, when prompt action was promised. It is the official substitute for the government corporation authorized by the Securities Act and abandoned because the State Department feared foreign governments might be offended by such an organization. The committee will not seek the deposit of foreign bonds for the present, but will negotiate with foreign governments and corporations for resumption of service on defaulted securities.

Argentine Conversion

The Argentine government has had unexpected success in the conversion of its internal debt into new 5% bonds. The process will materially strengthen the national financial structure and help to balance the budget, but offers no immediate promise to American owners of credits and balances in the Argentine. Such creditors are generally accepting the offer of the Argentine government, to borrow the money either for 15 years at 2% or for 20 years at 4%.

The Federal Reserve Board, in making an unofficial explanation of its recently dwindling purchases of government bonds, pointed out that it is not the function of the Reserve System to maintain quotations for government bonds, but that its purchases of governments should be dictated by credit needs and requirements. That is precisely the notion held by those who founded the Federal Reserve System, but no Secretary of the Treasury since 1914 has failed to adjust the discount rate and maneuver open market operations so as to maintain bond quotations favorable to financing operations of the Treasury.

Teamwork



Otis does more than build the world's finest and most modern elevators; it offers a maintenance service for keeping them at their high efficiency, safety and comfort.

Otis maintenance is not the work of one man or two men but of an *organization of men*. Normally, highly trained elevator examiners do the routine work of elevator up-keep and care. But when something out of the ordinary comes up, they immediately call in the supervisors. And back of the supervisors are the maintenance experts and planners. And back of the maintenance experts are the elevator engineers. All have a hand in the care of elevators in the run of a year. All give their best to keep an installation free from shutdowns, provide maximum safety, guarantee operating economy.

Otis elevator maintenance is available at a flat, yearly rate. Otis Elevator Company—offices in the principal cities of the world, or at 260 Eleventh Avenue, New York City.

NIRA SCOREBOARD

Industry codes that have been made effective through the President's signature

(Continued from *Business Week*, November 18, 1933)

Numbers used are *Business Week* numbers, not official

84. Buffing and Polishing Composition

By Buffing and Polishing Composition Manufacturers Association. *Maximum Hours:* 40 a week. *Minimum Wages:* 40c. on hour; for light and repetitive work, 32½c. an hour; learners, 80% of minimum; other employees, $15 a week. Prohibits wage reductions for office workers because of shorter hours. Provides equitable adjustment for others. Women to get equal pay for equal work. No reclassification of functions. *Other Important Provisions:* Provides for a Code Authority, for regular reports on operations, for standard terms of sale and cash payments. Provides for clause in contracts permitting increases or decreases in specified prices, caused by new federal legislation. Provides for uniform accounting and cost-finding system. Bars sales below cost.

85. Buff and Polishing Wheel Industry

By Buff and Polishing Wheel Manufacturers Association. *Maximum Hours:* 40 a week. *Minimum Wages:* 40c. an hour; for light and repetitive work, 32½c. an hour; learners, 80% of minimum; all others, $15 a week. Prohibits wage reductions for office workers and reclassification of functions. Wages above minimum to be equitably readjusted. *Other Important Provisions:* Provides for a Code Authority. Specifies standard terms of sale and cash discounts, a clause in each contract providing for increases and decreases of prices due to new federal legislation. Provides that "no member of the industry shall sell to its own jobbers or distributors for resale until such jobbers or distributors have agreed to maintain the manufacturer's published prices. . . ." Provides for uniform accounting and cost-finding system. Prohibits sales below cost. Provides for a modified open price plan, and prohibits sales at less than published prices. Provides for equitable adjustment of existing contracts.

86. Business Furniture, Storage Equipment, and Filing Supply Industry

Jointly sponsored by several trade associations as "a federated code of fair competition for the industry." *Maximum Hours:* 40 a week (48 a week allowed for 6-week period in any 6 months). *Minimum Wages:* Men, 40c. an hour. Women, 40c. for steel office furniture, shelving and locker divisions, 35c. for visible filing division; equal pay for equal work. Learners (must not exceed 5% of total number employed) 80% of minimum. Other wages to be equitably readjusted. Office workers from $15 a week in cities over 500,000 to $14 a week in cities under 250,000. *Other Important Provisions:* Basic code divides industry into 4 divisions, each subject to special provisions appended to main code as exhibits. Main code provides for National Emergency Committee, periodical reports on wages, hours, production, shipments, sales, stocks, prices, and other data. Sets up Planning and Classification Board for each division. Exhibits applying to the several divisions cover specific fair trade practices, including modified open price plan, terms of sale and cash discounts to various classes of purchasers, published valuations of allowances for trade-in materials, etc.

87. Funeral Supplies

By Embalming Chemical Manufacturers Association, Metal Burial Vault Manufacturers Association, Casket Hardware Manufacturers Service Bureau, and the Casket Manufacturers Association of America. *Maximum Hours:* 40 a week, with a tolerance of 5% excess, permitted for a maximum of 20% of all employees. *Minimum Wages:* Men, 40c. an hour in the North, 30c. an hour in the South. Women, 30c. an hour; equal pay for equal work. Prohibits reductions below June 16, 1933, rates and "deductions for pensions, group insurance, stock selling plans, or other projects involving employee participation, except with express and voluntary consent of employees." *Other Important Provisions:* Establishes 5 commodity divisions and 13 geographical divisions. Provides for a Code Authority and statistical reports on the basis of uniform accounting. Bars sales below cost as determined by approved cost accounting system. Provides terms of sale and cash discounts, and open price plan. Prohibits selling "in a market or trade area other than that in which the seller is usually normally engaged at prices lower than the price at which such products are customarily sold or offered for sale in the seller's normal market." Prohibits design piracy, imitation of designs, consignments excepting under special contract. Provides for adjustment of existing contracts.

88. Leather and Woolen Knit Glove Industry

By National Association of Leather Glove Manufacturers, Inc. *Maximum Hours:* 44 a week to Dec. 1, 1933; thereafter, 40 a week. *Minimum Wages:* 32½c. an hour, with rates for skilled labor equitably adjusted. Beginners 22½c. an hour. Women to receive equal pay for equal work. *Other Important Provisions:* Elimination of 25% of home work within 6 months, 25% in second 6 months, survey of the situation at the end of first year; no additional home workers to be employed. Provides for a Code Authority, uniform cost and accounting system, certified reports on employment, production, orders, billings, stocks of finished and raw materials. Proposes to have glove importers comply with code provisions for reports on consumption and stocks of raw materials, with trade practice provisions. Prohibits piracy of design, consignment excepting under contract, selling below cost. Reenforces protection of certain trade terms and use of "Glovers Guild mark."

89. Men's Garter, Suspender and Belt Manufacturing

By Men's Garter, Suspender and Belt Manufacturers Association. *Maximum Hours:* 40 a week. *Minimum Wages:* 70c. an hour for cutters in men's belts, 35c. an hour for others; 10% less in the South. Apprentices 27½c. an hour to June 1, 1934; thereafter, minimum wages. Prohibits reclassification. *Other Important Provisions:* Provides for Code Authority, periodical reports, uniform cost and accounting system. Home work must be reduced to 60% of present number by March 1, 1934, entirely eliminated by May 1, 1934.

90. Office Equipment

By Office Equipment Manufacturers Institute. *Maximum Hours:* 40 a week. *Minimum Wages:* Men, 40c. an hour. Women, 35c. an hour, or July 15, 1929, basis with 35c. an hour minimum; equal pay for equal work. Other employees from $15 a week in cities of over 500,000 to $12 a week in towns of less than 2,500. Provides for equitable readjustment of other wages. Prohibits reductions and reclassification. *Other Important Provisions:* Provides for Code Administrative Board and Code Executive Committee, for formulation of supplemental codes for various divisions of industry.

91. Piano Manufacturing

By the National Piano Manufacturers Association of America. *Maximum Hours:* 40 a week. *Minimum Wages:* Factory workers, 40c. an hour; learners, 80% of minimum; others $14 a week. Office boys and girls, 80% of minimum. For women doing light work, 32c. an hour. Women get equal pay for equal work. Prohibits reclassification. Provides for equitable readjustment of all wages. *Other Important Provisions:* Provides for Code Authority, periodical statements on employment, shipments, production, sales, stocks, prices, etc. Calls for equitable adjustment of contracts.

92. Stock Exchange Firms

By Association of Stock Exchange Firms. *Maximum Hours:* 40 a week; extreme maximum, 44 hours a week averaged over 4-month period. *Minimum Wages:* From $16 a week in cities over 2 million population to $14 a week in cities between 2,500 and 250,000. In towns less than 2,500, wages to be increased 20%, but not necessarily above $12 a week. Wages paid in branch offices governed by their location. Prohibits decreases of wages. *Other Important Provisions:* Provides for Board of Administrators.

93. Toy and Playthings Industry

By Toy Manufacturers of the U.S.A., Inc. *Maximum Hours:* 40 a week. *Minimum Wages:* 30c. an hour. Learners 80% of minimum. Women to receive equal pay for equal work. Reductions to be avoided. Equitable adjustment of all pay schedules provided. *Other Important Provisions:* Prohibits home work after January 1, 1934. Provides for Code Authority. Divides industry into 22 divisions. Calls for periodical reports, for pricing on basis of costs determined by adequate cost-finding system. Prohibits selling below cost, piracy of design, advertising allowances in any form, allowances for special sales. Contains special provisions for demonstrations of products in retail stores. Specifies terms of payment, cash discounts, rules for advance shipments. Provides for published price lists. Commissions Code Authority to prepare recommendations on price differentials for various classes of buyers and extra discounts on advance orders.

94. Washing and Ironing Machine Manufacturing

By the Washing and Ironing Machine Manufacturers' Association. *Maximum Hours:* 40 a week, with a tolerance of 10% for specified classes of work. *Minimum Wages:* Men, 40c. an hour. Women, 36c. an hour with equal pay for equal work. Office workers, $15 a week; office boys, 80% of minimum. Other wages to be adjusted on basis of June 1, 1933 differentials, but increases need not exceed 15%. *Other Important Provisions:* Executive committee of association to function as Code Authority. Provides for periodical reports. Bars sales below cost as determined by uniform accounting system. Specifies cash discounts and quotations f.o.b. factory. Prohibits trade-in allowances to retail or wholesale outlets. Limits guarantee to 1 year.

95. Asbestos

By the Asbestos Institute. *Maximum Hours:* 40 a week averaged over 6-month period. Tolerance of 10% for certain classes of work. *Minimum Wages:* North, 40c. an hour for men, 35c. an hour for women; South, 2½c. per hour less. Women get equal pay for equal work. For office workers, etc., from $15 a week in cities over 500,000 to $14 a week in cities under 250,000. Prohibits reduction in wages due to shorter hours. *Other Important Provisions:* Provides for Code Authority, for 5 separate divisions in the industry, for certified reports on employment, production, etc. Contemplates formulation of a Code of Ethics and plans for simplification, standardization and merchandising for each division. Prohibits consignment stocks or selling for export "until the buyer has agreed not to resell the goods within the United States." Provides for the open price system. Prohibits sales below cost as determined by uniform accounting system. Attempts to provide for all contingencies, including possible restoration of pre-NIRA conditions by the following clause: "Nothing contained in the code shall be deemed to constitute any of the members thereof partners for any purpose. No member of the code shall be liable in any manner by reason of his participation therein to anyone over any act of any member or agent of the Code Authority." Provides for equitable adjustment of contracts.

96. Asphalt Shingle and Roofing

By Asphalt Shingle and Roofing Institute. *Maximum Hours:* 40 in 7 days; 44 and 56 hours allowed for certain specified activities; overtime at 1½ regular rates. *Minimum Wages:* South, 37½c. an hour; North, 40c. an hour; Pacific Coast, 45c. an hour. Office employees, $15 a week. Office boys, 80% of minimum. Women, other than office help, 35c. an hour with equal pay for equal work. Rate reductions prohibited. Equitable adjustment of wages prescribed. *Other Important Provisions:* Provides for Code Authority, certified reports on employment, etc. Code Authority to study industry and make recommendations covering (1) uniform cost accounting, (2) limitation of production, (3) limitation of new equipment, (4) industry merchandising plans, (5) simplification and standardization, (6) system of exchange of credit information, (7) inequalities affecting stability of the industry. Provides for the open price system. Calls for publication to the trade and the Code Authority of qualifications established by each member "to determine the prices, terms or conditions of sale made applicable by him to the different classes of his trade and products covered by this code." Prohibits selling below cost and provides that cost shall include direct material cost including transportation and shrinkage, direct labor cost, power, factory overhead and maintenance expenses, warehouse and factory shipping charges, plus an additional 15% of these items. Permits selling below cost "to meet competition of prices established on products of competing grade and quality filed by another member of the industry . . ."

Wide Reading

THE ROAD TO PROFITABLE MERCHANDISING FOR THE CAPITAL GOODS MANUFACTURER. Mason Britton. *Executive Service Bulletin*, October. About 50% of industrial equipment in industry today is obsolete. Manufacturers should gear advertising of capital goods to modernization because "that is the only outlet the manufacturers of equipment will have in this country for the next few years."

UNCERTAIN SECURITY. George E. Bates. *Forum*, December. The new Securities Act: what it requires; how it should be interpreted; how it functions.

MUSICAL SLAUGHTER-HOUSE. Edward Robinson. *American Mercury*, December. How the opera business operates—financially: what stars receive; what patrons pay; which operas are most popular; results of bad management and a lack of policy.

"THE BIG BAD WOLF" TAKES A LICKING. *System and Business Management*. The story of how Chicago business men use "A Century of Progress" to lick the depression and of the final results in added sales volume.

THE COOPERATIVES AND THE NRA. James Peter Warbasse. *Nation*, Nov. 15. "The consumer has been discovered by the NRA. The next thing needed is that the great body of consumers themselves shall discover those consumers who are organized in cooperative societies, and who have learned how to unite with their neighbors to carry on business for their mutual benefit. The NRA is in position to seize upon these discoveries and turn them to the common good."

IF WE RECOGNIZE RUSSIA. *Publishers' Weekly*, Nov. 11. Editorial summarizing treatment various American authors whose works have been published in Russia by the Soviets have received in the way of royalties and recognition.

AIMS, RESULTS AND TRENDS IN PRODUCT DEVELOPMENT. *Product Engineering*, November. Analysis of national survey of product design. Trends in transportation design and materials; what's new in production machinery; new products which have "taken."

BOOKS

DEBT AND PRODUCTION. Bassett Jones. John Day, 147 pp., $2.50. Total interest bearing debt expanded from 1880 to 1929, annual rate of growth increasing from 4.56% to 8.2%. Since production did not and could not increase at corresponding rates, current debt charges became increasingly burdensome, deflation inevitable. Mathematical analysis suggests the general type of relationship deemed essential in a reorganized debt structure.

THE INVESTOR PAYS. Max Lowenthal. Knopf, 406 pp., $2.50. The sad but exciting inside story of the reorganization of the Chicago, Milwaukee & St. Paul railway. Holders of stocks, bonds, life insurance, or savings accounts will be interested.

THE MENACE OF FASCISM. John Strachey. Covici-Friede, 272 pp., $2.25. The "menace" is not the harshness of dictatorship but the firm support which fascism, if it prevails, will give to capitalism and all the evils of economic disorder which capitalism entails.

Foreign Trade Is Improving

Imports are increasing more rapidly than exports in the rush to stock up before the dollar drops to new lows.

WE have been doing more business with foreign countries in the last few months. Especially, we have been buying more abroad.

Imports mounted steadily from $88 millions in April to $155 millions in August, dropped off to $147 millions in September, but still looked a lot better than the $98 millions of imports reported in September of last year.

Exports touched a high for the year in September at $160 millions. Only in August did the export total fail to make its steady increase over the previous month.

We bought more goods abroad in August than in any month since October, 1931. Exports in September touched the highest level since December, 1931. Outstanding import gains were from Australia, New Zealand, British Malaya, the Philippines, China, Argentina, and Uruguay. Exports for the first 9 months of this year compared with the same period last year increased especially to Finland, Italy, Mexico, Argentina, Brazil, Colombia, and South Africa.

The encouraging foreign trade trend is evident in recent months compared with the same period last year:

U. S. Exports
(Millions of dollars)

	1932	*1933*
April	135	105
May	132	114
June	114	120
July	107	144
August	109	131
September	132	160

U. S. Imports

April	127	88
May	112	107
June	110	122
July	79	143
August	91	155
September	98	147

There are new factors which must be remembered in studying current trade figures. The value of the dollar has declined considerably in recent months, causing prices of various products to rise. In an ordinary year, exports usually show a seasonal increase in value of about 14% from August to September. This year the value of exports in this period advanced nearly 22%. Quantity exports have increased some, but a considerable part of the advance in both export and import values is due to higher dollar prices.

Washington has made some special studies of the change in prices on various commodities important in the country's foreign trade. Between March and September, for example, the average unit value of imports of hides and skins increased 30%, of cocoa 28%, crude rubber 105%, flaxseed 70%, raw wool 79%, petroleum 7%, and tin 91%.

Export prices showed almost as remarkable gains. In the same period—March to September—the average unit value of meat products advanced 37%, wheat 89%, apples 33%, evaporated fruit 51%, unmanufactured cotton 42%, cotton cloth 62%, coal 5%, and boards and timber about 50%.

The rapid expansion in imports is contrary to the commonly held theory that imports will decline, exports increase, when a country allows its currency to depreciate. The theory is probably correct but there is a period immediately after a currency drops from its former fixed value and before it reaches its new stabilized level during which the public will rush to supply its needs abroad while the currency is still relatively near its old level. These commitments, made in dollars, for example, which are passing in foreign exchange at 65¢ will be paid in dollars which may be worth only 50¢ when the goods are delivered.

Exports, on the other hand, are momentarily retarded. Foreigners, seeing the currency of a country decline more rapidly than prices rise, will delay their orders from day to day in the hope that they can buy when they will get the most dollars in exchange for their own currency. Just now when the avowed plan of the government is to cheapen the dollar and raise prices, importers in other countries will attempt to delay purchases in this country until they think the price rise is overtaking currency depreciation or until they believe that the dollar is approaching a point of stabilization. There is every reason to believe that heavy American imports will continue to show up in the October and November figures, and that a vast volume of orders will be placed in this country as soon as dollar stabilization is attained.

Canadian Banks

Macmillan investigating committee recommends central bank for Canada, more attention to farm credits.

"CANADA should establish a central bank immediately"; and "the Dominion government should cooperate with the provincial governments in studying the special credit needs of the farmers." These are the high-lights of the report to the

government of the commission which has just surveyed Canada's banking system.

Lord Macmillan, of England, headed the commission. With him was another Englishman, and 3 Canadians. Together they traveled from coast to coast studying the banking needs of the Dominion, the facilities provided by the present 10 very efficient banks and their many branches. They completed their study some weeks ago. The report was made public last week.

They have specific suggestions for the establishment of a central bank whose functions would be similar to those of the Bank of England or of the Federal Reserve Bank. It should have a capital of $5 millions. It should have the sole right to issue notes. Profits, above 5% or 6%, should go to the government. It should be the government bank. It should concentrate the gold holdings of the country.

Central Bank Demand

Agitation for a central bank has come primarily from the agricultural provinces which claim that they have not had fair treatment from the chartered commercial banks. The investigating commission evidently felt there was justice in the demands for it stated strongly that Canada should make a serious study of the short and intermediate credit demands of farmers. A broader credit policy might be directed by a central bank. Commercial banks might fit their supervision to the special demands of the communities they serve if they make their directors more representative of the various interests.

There was praise for the present system. "So far as the ordinary functions are concerned, the Canadian banks give admirable evidence of security, efficiency and convenience."

The London *Economist,* studying the possibility of a central bank in Canada, made some interesting observations:

"The movement for a central bank in Canada has a twofold origin. Like the agitation for a State Bank in South Africa, it is essentially an inflationist movement—inflation by a public institution which will compete with, and perhaps supplant, the chartered banks. For the more sophisticated, the demand for a central bank finds its justification in the present chaotic regulation of the note issue, which reflects the entire absence of anything like a monetary policy, as distinct from a banking policy.

"It is well not to overestimate the power which a central bank would have in Canada. The local money market is too limited in extent and not attractive enough to foreign financiers for a central bank interest policy to be able to deal effectively with some short-term difficulties which might arise. An interest policy directed to maintaining a gold standard, or alternatively to keeping internal money incomes stable, or to whatever other reasonable aim might be adopted in place of the present aimlessness, should certainly have a fair chance of succeeding, provided there were no disturbances such as a crop failure or a Wall Street boom. In either of those cases, a central bank might find itself comparatively helpless, unless it held an adequate reserve of foreign exchange, or an exceptional reserve of gold."

Century and 1 Year

Chicago decides to reopen Fair next June; many want space.

NINE months ago, Chicago was regarded as foolish for spending millions of good money in times of distress in order that its Century of Progress might open on scheduled time.

One month ago, the nation, from President Roosevelt down, begged that the fair be held again next year, because its important influence on national recovery was admitted. This wish is now granted. The fair will reopen June 1, 1934, "bigger and better."

Some 80% of the exhibitors have promised to return; 25% have requested additional space. Countries, states, and corporations which hesitated to participate this year are asking for the privilege of participating in 1934.

A 5 million attendance will be needed to meet expenses, 8 million more to retire all bonds. This year the attendance was well over 22 million.

On what do people spend their money when they attend a world's fair and how much do they spend? The answers are "on anything" and "$1.17 apiece, exclusive of admissions."

Up to Oct. 31, the original closing date, 21,714,334 persons had paid admissions. They spent $35 millions.

Concession Profits

The company operating 40 hamburger stands and 6 grills took in $1,685,903. The beer gardens took in more than $3 millions. Stands within the grounds sold $1,332,834 worth of guide books and souvenirs. The Sky Ride took $750,000, while $250,000 was spent to be pushed around in a rickshaw or roller chair. Mr. Ripley, believe it or not, took in $538,685.03.

A combination of Sally Rand, peep shows, and what not brought $1,465,571 to Paris, Inc., and its concessions in the Streets of Paris. Incidentally, many a Frenchman walked out weeping and enraged. Belgian Village, exclusive of its subconcessions, took in $637,294.81.

Weight guessing scales cost visitors a pretty penny — $167,485.63. Greyhound Bus Corporation, operating entirely within the grounds, took in $1,577,041.93.

Soviet Trade Terms

Washington reiterates an Amtorg warning to American exporters. Trend of thinking on credit is toward special corporation with RFC financial backing.

PRESIDENT ROOSEVELT and Mr. Litvinov were still gazing reflectively at their signatures on the new recognition pact when ambitious salesmen began to line up in the reception rooms at the Amtorg Trading Corp. in New York waiting to sell "these Russians" everything from suspenders to truck fleets.

Russian experts "close to the crowd in Moscow" were no more tardy in getting their names before unsuspecting exporters as "the one person who can get you in on the new Soviet orders."

The Amtorg officials were able to handle the salesmen tactfully but swiftly. Not all exporters were as well prepared to meet the smooth talk of the so-called experts. It was for this group that J. Anthony Marcus, Russian authority of the AAA, drew up a code of procedure to be followed in cultivating the Soviet market.

"Beware of the man with the 'inside track.' There is none.

"No high pressure salesmanship, no graft payments, no big entertainment allowance. High pressure does not go. The Soviet allows no graft, and there isn't any for it costs a man more than his job. There is no entertainment cost because Russian officials will not accept it. They entertain you, but you cannot repay in kind. There might be suspicion attached to acceptance.

How to Sell Russia

"Three things will sell goods in Russia: merit, price, credit terms.

"Salesmanship will consist in getting the Soviet officials to specify your product. It will be worth while to send salesmen for this purpose. Consult the officials at Amtorg before sending your man to Russia. They may advise that he take your product to Russia for demonstration. Elaborate showrooms are unnecessary. The Soviets will usually provide a place to show your wares. Or they may advise that you offer your goods for inspection in this country. Certainly, the final orders will be placed through the Soviet trade representatives in the United States"

Those manufacturers and exporters already familiar with these fundamentals of Soviet business devoted their attention to speculation over probable trade terms which will be negotiated by Soviet and United States officials and announced in the near future.

Details of credit arrangements occupy major interest. If the United States follows the method common in most European countries, it would establish a government export credit guarantee fund. The British have had such a fund for years and when the Soviet business came along, simply allowed the fund to be used to cover exports to that country. Italy and Germany have followed a similar scheme. France has consistently refused to give government backing to Soviet business though it is believed a new trade agreement now being negotiated may provide for it.

Under the government credit guarantee plans in most European countries, an exporter is able to secure a government guarantee for payment on from 60% to 75% of the total order sold abroad. This virtually covers the risk to the manufacturer, for the remainder of the bill is usually profit.

Germany and Italy have granted the longest credits to the Soviets—up to $4\frac{1}{2}$ years—but the average in Europe run from 24 to 30 months. In many cases in Europe, no cash is demanded until a year after delivery. Notes of the Soviet trade delegation in the country where the orders are placed are ordinarily given to cover payments due, the notes falling due each 3 months to maturity. Despite the fact that the Soviets have never failed to meet these payments when due, these notes have ordinarily sold on the bootleg market at a discount of about 30%. It was reported in London that the discount dropped from 30% to about 12% on the day that President Roosevelt announced that he had invited Mr. Litvinov to Washington to consider recognition. Total outstanding credit obligations of the Soviets were estimated by authorities this week not to exceed $300 millions, about $22 millions of which mature in the United States.

Direct Loan Unlikely

A second possible method of financing export trade to Russia, and the least likely, is an outright loan to the Soviets which might be used to pay for purchases of materials in the United States.

A third method of financing Soviet orders is through RFC credits similar to the $4 million credit granted last summer to finance the sale of American cotton. Another such credit could probably be arranged if the RFC is willing to agree to the sale of the cotton at a reasonable rate and if the credit is allowed to run for at least 5 years.

As in the past, certain manufacturers may be able to finance their own sales, especially now that normal trade channels will be established and they will have recourse to the courts in case difficulties arise. There is a growing group, however, who believe that the plan most likely to be settled upon as most acceptable to Soviets and Americans alike is a combination of the third and fourth methods—the forming of a corporation to handle all sales to the Soviet which would receive RFC financial aid by selling shares to the RFC. It is pointed out that under the Edge Act, such a corporation with a capital of $10 millions could finance $100 millions of credit on foreign trade. Industry and the government alike are interested in such a proposition. Once established, it would probably grant credit terms similar to those which have been allowed in Europe, but without the feature of a government guarantee.

Until the final terms of the trade agreement are reached it is not likely that Soviet orders placed in this country will jump much above the $1 million a month they have averaged for some time. In anticipation of an early expansion of business, however, nearly 50 trade groups are already in this country from Russia investigating American machine equipment, studying shop methods, factory management. They represent especially the oil, radio, automobile, aviation, and machine tool industries. More groups are expected early in 1934.

Volume of potential business is still a question. Orders for machinery are likely to bulk largest—may run as high as $100 millions next year. Special arrangements with the RFC to finance the sale of agricultural surpluses are still problematic, might easily exceed $25 millions.

Wide World

AMBASSADOR—William C. Bullitt smilingly receives congratulations on his appointment as Ambassador to Russia, the first in 16 years.

Business Abroad

Pound climbs; London supports the franc; Europe expects continuation of Roosevelt's gold policy. Warsaw-Berlin rapprochement eases tension in Europe, increases hopes for new Franco-German discussions. Europeans expect big Soviet orders to go to United States.

Europe

EUROPEAN NEWS BUREAU (*Cable*)—Not even the jolt of Dr. Sprague's resignation shook Europe's conviction that the Roosevelt gold program is going to be carried out.

In London there is glib chatter of a $6 pound, with exchange speculation on the dollar dropping to a minimum.

In Paris there is a grim feeling that the franc—and the other gold currencies—is being pushed to the wall. The outflow of gold is continuing at a steady pace with many curbs rumored but none yet announced. French and British alike realize that only the steady, large-scale operations of the British Exchange Equalization Fund have saved the franc from rapid and alarming depreciation in the last 4 weeks. Even now, forward francs are selling at an appreciable discount in London, making it impossible for Paris to do any large-scale short-term financing in that market.

In both cities there is a growing acceptance of the idea that Washington will continue to push up the price of gold, possibly all the way to $41.34, which is twice its old statutory price under the gold standard. This, theoretically, will depreciate the dollar to 50¢, and push the pound to about $6.36. Unless Washington shifts its policy radically and soon, dollars are likely to move rather quickly from present levels, around 60¢ in both Paris and London, to the ultimate 50¢ level.

Official London, while it admits that there is a vast influx of refugee capital from both the United States and the Continent, refuses to admit that anything like $2 billions of flight capital has sought sanctuary in the city within the last few months. Bankers, in fact, estimate that no more than $100 millions of American capital has come in the recent inrush. There is beginning to be not a little worry, however, over this capital for it is likely to leave as rapidly as it came, once stabilization is agreed on internationally. There has been some talk of setting up barriers to prevent the flood from assuming too great proportions.

The gradual rise of the pound sterling above its old parity in dollars has now passed 10%. This adds significance to the British denunciation of the international tariff truce, effective Dec. 7. Europe looks for an aggressive policy to protect the home market and to stimulate inter-empire trade. If the dollar continues to depreciate, other countries threaten to raise import barriers against American goods which now are enjoying an increasing competitive position in most markets.

Sudden Changes

Other developments in Europe were of minor significance compared with the monetary problem. As the position of the franc becomes more insecure, there is a growing feeling that the present government cannot possibly meet the situation, as well as the internal budget problem. A new government may come almost any time.

Attempts at conciliation between Germany and Poland are watched with keen interest and a sense of relief. Friction between these 2 countries has created one of the greatest danger spots in all Europe. A policy of rapprochement may help to develop more friendly relations between Poland's ally—Paris—and Berlin.

Labor members of the British Parliament have chided the government for its inability to come to terms with the Soviets on a new trade pact, citing the speed shown by President Roosevelt in a far more delicate situation. There are no new reports of progress in Franco-Soviet trade negotiations. The inability of both these countries to come to terms with the Soviets, and the animosity of the Hitler government to everything savoring of Communism, leads to the belief that the United States will receive some very large orders from Moscow which might have gone to Europe had conditions remained as they were a year or more ago.

International News

"THE OLD SMILE, COMRADE!"—History is made in the white glare of floodlights and the heat lightning of flash bulbs. Obediently, the agents of the world's greatest republics who have just achieved diplomatic accord, "do it over again" for the benefit of the newsreels and the newspapers.

France

Hitler confronts Paris with proposal for direct negotiations; French policy may break from Versailles mold. Government wavering.

PARIS (*Wireless*) — Internationally speaking, the week has been almost the most eventful in France since the signing of the Versailles treaty. Poland, pledged satellite since 1918, has refused longer to remain wholly under French influence and has made its own agreement with Hitler, who promises not to violate the Polish-controlled Corridor separating Germany from East Prussia.

On the other hand, Hitler's offer to commence direct disarmament and peace negotiations with France will probably

split the Radical-Socialist party (now in power) into Herriotites and Daladierites, the former refusing direct German negotiations and advocating an alliance with Russia, while the latter will maintain that Russia has always been a French Jonah and that it is better to face the former enemy across the Rhine squarely and without further delay.

France's Problem

The real problem narrows down to these essentials: Hitler has already disavowed all claims to Alsace-Lorraine. He claims only the Sarre—of the territories responsible to Paris since Versailles—and this region has remained pro-German. The question of the return of the German colonies and the right to build up naval forces is a matter for the British to worry over, while the possible Anschluss with Austria is now largely a matter of concern to Mussolini. So France, outside the loss of certain privileges in the Sarre, has nothing to lose except her recent so-called security (which Hitler declares has been only a matter of definition anyway), and her controlling power in Central Europe (which was effective only so long as it was backed with loans).

Meanwhile, the Chamber of Deputies debate on the new budget program is not advancing and it is expected that the government will not last the week out. Any new government which may be formed will probably be built around a nucleus formed by Daladier, Chautemps, and Boncour. Herriot's power has been too badly reduced by party splits recently to make him a likely factor.

Despite the large gold losses of the Bank of France last week, and the prospect that they will be even larger this week, the fact that the gold cover is unchanged has helped to keep comparative calm among the population. The immediate future, however, is uncertain.

Great Britain

Indicators continue upward trend. Foreign trade expanding. Gas vs. electricity war started.

LONDON (*Cable*)—Britain's wave of recovery has continued encouragingly this week. October trade returns, just announced, show that exports are more than £4.5 millions greater than in September, slightly less than £2 millions larger than in October of last year. Of the increase this year, manufactured goods made up nearly £3.5 millions. Textile exports accounted for nearly one-third of this.

The national scheme for the reorganization of the steel industry is making such rapid progress that the President of the Board of Trade has assured the industry that protective tariffs will be continued. Rail traffic continues to increase steadily. Imperial Cable reports that October traffic touched a high for the year. Figures for motor manufacturing have also improved markedly.

Post-Prohibition Hopes

The end of prohibition in the United States has naturally aroused widespread interest. British brewers and distillers are inclined to be cautious. They expect some measure of restriction, either on imported liquor as such or in the form of special bottles or bottle-quantities. When the exact position is know their sales attack will begin in earnest. The general assumption here is that American whisky consumption will show a big decline on pre-prohibition figures.

The sugar market is beginning to feel a certain unsettlement arising from the disturbances in Cuba and the knowledge that all Cuban interests are now solidly against the Chadbourne plan. In Britain the movement towards a complete absorption of mutual interests as between importing refiners and beet sugar manufacturers (who have the benefit of a government subsidy) makes steady progress. As with so many other British industries, the approach to unification is faster than is realized by the man in the street.

There has been a noticeably keener demand at the tea auctions, and although the tea share market is irregular on doubts about the future quotas under the exports regulation scheme, it would seem that new interest is awakening in this market. The interim dividends of the big Finlay group of tea companies and the return to the dividend list of certain other producers is the best augury of revival. The exports restriction scheme has not yet had time to bite very deeply into stocks, but its effects are felt, and with general recovery, home demand for better qualities is also reviving.

The related market in rubber shares is still baffled by the progress of restriction talks. The general view is that agreement will come, but not for many months. The market values have been disturbed by the original overdiscounting of restriction hope, followed by a tumble out when it was realized that the hope would take some time to be translated to fact.

Investment Trend

It is, however, a sign of national high spirits when public money begins to flow into any of the 4 speculative stock markets—rubber, mines, oils and tea. In each of them a fuller volume of outside investment money is apparent.

British gas and electricity interests have started a new battle for market expansion. The newly organized Electrical Development Association has announced a program for cheaper electricity, adequate supplies in rural areas, all-electric homes for working class families, cooperation between the great national electric hookup and local housing schemes, and the use of films, exhibitions, and lectures to increase the popularity of electricity. The Association will offer a large prize for the best architect's design of an electric kitchen which can be installed in homes costing from $2,000 to $4,500.

Gas interests will use legal aid to fight any move by the electrical interests which prevents the purchaser of a house built by local authorities or with government aid from having free choice between the rival forms of light and power. They are also launching a big counter-propaganda campaign.

Germany

Signs of slow but steady improvement. Road program is comprehensive cog in plan to motorize Germany. Rumors that Germans will rebuy G-M control of Opel.

BERLIN (*Cable*)—The easier trend on German money markets continued this week, with stocks joining bonds in the general price advances. Industrial activity is well maintained, especially in the steel, coal, and automobile industries.

The recent slow recovery in foreign trade continued through October. Exports increased 3%, indicating to Germans that incipient improvement in world trade has helped to offset effects of the boycott.

General, but slow, improvement in German economy continues over a wide front. The most marked gains are in agriculture. Exchange difficulties and import restrictions have made it possible for Germany to raise a much larger percentage of many farm crops than ever before. It is admitted that under normal conditions a part of the expansion that has taken place in agriculture would not be justified, but when exchange of goods has become so difficult there is little choice. It has opened an important avenue for the reduction of unemployment at a time when this was most important.

Germany is undertaking a serious program of improving highways for more intensive motor traffic. The country is eager to have a greater automobile industry. It is recognized that a necessary step in stimulating that activity is to have a highway system designed for motor cars. While the surfacing of most German roads has kept pace with the times, a large proportion of the roads follow locations made a century or more ago. Much of the work now in progress is devoted to widening and straightening, building bypasses around villages,

and constructing new autostrada for truck heavy service.

While the building up of buying power is held to be the chief reason for such recovery as Germany is enjoying, it is recognized by the foes of Hitler, as well as by his supporters, that the removal of political uncertainty has had much to do with business recovery. With a multiplicity of parties, the legislative branch of government could not function. It also placed great handicaps on the executive authorities. This created a state of uncertainty in which business made little progress.

General Motors May Sell

There have been rumors in Berlin since early last spring regarding the possibility of a repurchase by the Opel family of the General Motors-owned Adam Opel A.-G. This is the largest German automobile concern and accounted last year for over 40% of domestic registrations and for 65% of total German automobile exports. The price paid by G-M in 1929 for 80% of this company's stock was reported at the time at about $30 millions. Substantial amounts must have been invested by G-M in the last 4 years for the modernization of the plants at Russelheim. What the eventual repurchase price would be now is a matter of guesswork, but it would probably be only a fraction of the 1929 purchase price.

Heavy Export Business

There is, however, one important consideration which is responsible for the skeptical attitude of informed business opinion in regard to this rumor. It is no secret that a great, if not the greater, part of the remarkable export success of the German Opel company during the last few years was due to the fact that the worldwide G-M export organization was put at its disposal. Therefore a severance of this connection is likely materially to reduce the good-will of the Opel company. It is also difficult to see how—even provided the transaction could be financed by the former German owners—permission for the transfer of such a large amount could be obtained under the present foreign exchange regulations. Yet, in view of the great personal interest Chancellor Hitler is taking in the motorization of Germany, the "re-nationalization" of Germany's largest automobile factory may be treated as a matter of paramount national interest and exceptional facilities may be granted to arrange the deal.

Latin America

Argentina discusses Soviet recognition. Mexico aids textile industry.

LITTLE business news came out of Latin America this week. With the problem of the blocked accounts in the Argentine settled, the situation in Cuba showing no new signs of fresh eruption, the general economic outlook mending slowly in most countries, there is nothing that is spectacular.

Soviet recognition by the United States has stirred the Argentine to a discussion of a similar move. Soviet trade offices for all South America were at one time located in Buenos Aires, but were driven out of the country and later located in Montevideo, across the bay in Uruguay.

Mexico has made a move to encourage exports from that country. A bill will be presented to Congress this winter which, if passed, will exempt wool, cotton, and other textile products, besides wax and wooden matches, from export taxes. Special efforts are being made to aid Mexico's textile industry in which nearly 20% of the country's capital is invested.

Far East

Political uncertainty shadows economic outlook in Japan. Silk and rice prices decline.

UNITED efforts of the 2 old political parties in Japan to cooperate in regaining the political influence and regain the influences which has shifted to the military leaders in the last 2 years will come into the foreground in coming weeks. The Diet is due to assemble for formalities in mid-December, but debates will not begin until in January.

The uncertain political situation is adversely affecting economic conditions in Japan. Further stringency is noted in the money market, and government bonds, industrial stocks, and leading commodity markets are declining. September cotton textile exports declined 15 million square yards from the August total of 191 millions. Netherland India was the largest purchaser in September, replacing British India.

Wholesale prices in Tokyo for September showed a gain of 1.4% over August, and retail prices on Oct. 1 averaged 0.5% higher than on Sept. 15. Rice and raw silk prices have not followed the upward trend (page 8). Overproduction of rice has caused prices to fall and the government is endeavoring to stabilize the market by announcing maximum and minimum prices in accordance with provisions of the Rice Law. Slackened demand in the United States for raw silk and accumulation of stocks in Japan have depressed silk prices.

The outlook for automotive sales continues favorable owing to recent advances in yen exchange, although the favorable effect on sales of automotive parts and accessories is minimized by the advance in American prices.

The Figures of the Week

Retail trade is gaining as the holiday season approaches. Productive activity is still lagging. Steel industry extends code operation and looks to 1934 business. Construction volume is rising, with residential contracts supporting public works.

WASHINGTON attracted the attention of the business world as the weeding out of old-line conservatives in the Treasury Department again emphasized the paramount interest of the Administration in lifting the price level. As the year draws to a close, retail trade assumes an air of activity while productive operations tend to slow down. November probably marks the bottom of automobile production, and steel output is not likely to stir far beyond the current 27% of capacity level until late in December. Under the impetus of public works, the construction industry may find November better than usual. Carloadings are slipping slowly downhill in their usual form at this season. A lively interest now centers on the efforts of the Pennsylvania and a number of other roads to recapture traffic lost to motor trucks by inaugurating a store-door delivery system. Electric power production is barely steady, and check transactions failed to reveal their usual midmonthly spurt.

October employment and payroll changes in leading industrial lines reporting to the government showed the expected changes. Manufacturing plants increased their staffs by a meager 0.1%; their payrolls by 0.6% compared with September. Nevertheless, the unbroken gains of 7 months leave employment in 89 industries 23.5% higher than a year ago, and payrolls 34.3% higher. Chief gains occurred in such seasonal industries as beet sugar and radios; also in tobacco, machine, and fertilizer industries. Major losses were sustained by the automobile and silk industries. In the latter case, strikes were the chief deterrent. Strikes also affected industries related to bituminous coal, furniture, flour, and leather industries.

Grocery sales in October were only 1% larger than in October, 1932, indicating some decline in tonnage volume. The gain over September was 3.6%. In variety stores selling wares ranging from 5¢ to $1, sales were nearly 6% greater than a year ago, but the 4.8% rise over September is considered less than the usual seasonal gain. While department store sales last month were none too favorable, there appears to have been some revival of consumer interest after Election Day. In the New York metropolitan area, sales are reported 2.2% above a year ago. Having failed in winning the President over to setting Thanksgiving Day ahead this year, department stores are making an intensive drive to make the most of the 20 days between the Nov. 30 holiday and Christmas. Last year the trade had the benefit of at least 26 days. Sears, Roebuck sales for the Nov. 6-13 period were 40% above a year ago.

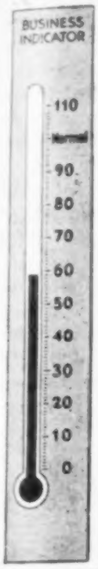
Codes to Be Continued

Amidst the growing volume of dissatisfaction with the ways and means of the Administration to shake off the weight of depression mire, comes the reassuring evidence from such leading industries as steel, lumber, and cotton textiles that the codes devised in the last 3 or 4 months are worthy of being given a further extended trial.

It is unfortunate that productive activity in the steel industry met reverses

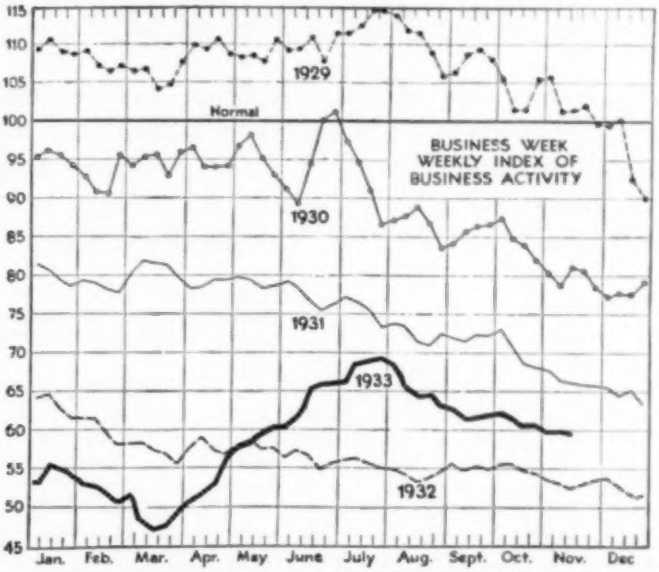
BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	Latest Week	Preceding Week	Year Ago	Five-Year Average (1928-1932)
Business Week Weekly Index of Business Activity	*59.3	†60.0	52.1	
PRODUCTION				
Steel Ingot Operation (% of capacity)	26.9	27.1	16	47
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks' basis)	$5,812	$5,793	$4,238	$12,843
Bituminous Coal (daily average, 1,000 tons)	*1,243	1,169	1,276	1,661
Electric Power (millions kw.-hr.)	1,617	1,617	1,532	1,678
TRADE				
Total Carloadings (daily average, 1,000 cars)	96	101	93	143
Miscellaneous and L.C.L. Carloadings (daily average 1,000 cars)	62	66	62	92
Check Payments (outside N. Y. City, millions)	$2,825	$2,801	$2,661	$4,765
Money in Circulation (daily average, millions)	$5,673	$5,682	$5,643	$5,067
PRICES *(Average for the Week)*				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.87	$.84	$.44	$.79
Cotton (middling, New York, lb.)	$.102	$.101	$.062	$.122
Iron and Steel (STEEL composite, ton)	$31.59	$31.59	$28.92	$32.71
Copper (electrolytic, f.o.b. refinery, lb.)	$.080	$.079	$.052	$.112
All Commodities (Fisher's Index, 1926=100)	72.1	71.6	60.4	80.3
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$2,578	$2,570	$2,210	$1,713
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$16,681	$16,719	$16,902	......
Commercial Loans, Federal Reserve reporting member banks (millions)	$5,000	$5,003	$5,183	......
Security Loans, Federal Reserve reporting member banks (millions)	$3,557	$2,570	$2,210	$1,713
Brokers' Loans, New York Federal Reserve reporting member banks (millions)	$707	$739	$344	$2,501
Stock Prices (average 100 stocks, Herald Tribune)	$97.97	$96.78	$85.26	$133.33
Bond Prices (Dow, Jones, average 40 bonds)	$78.96	$80.51	$78.28	$89.39
Interest Rates—Call Loans (daily average, renewal) N.Y. Stock Exchange	.8%	.8%	1%	3.5%
Interest Rates—Prime Commercial Paper (4-6 months) N. Y. City	1¼%	1¼%	1½-1¾%	3.5%
Business Failures (Dun and Bradstreet, number)	259	338	480	481

*Preliminary †Revised



The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures —steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation.* It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For any further information, write the editor.



sufficient to lower the operating rate from the 59% level of July to the 27% rate of November, though part of the decline might be written off as the usual year-end contraction. The current inadequate volume adds to the operating costs which have previously been swelled by the code stipulations. But, in spite of recent lagging production, the year as a whole is measurably better than 1932, and 1934 holds forth the promise of surpassing 1933. Motor, public works, and rail business, together with a broad volume of miscellaneous requirements, will provide the grist for 1934 mill rollings.

Motor Production

Complete data on automobile factory sales in October as reported to the Bureau of the Census indicates a total of 142,157 vehicles for the U. S. and Canada compared with 201,890 in September and 51,625 a year ago. This is a decline of nearly 30% for the month, but is a 175% gain over a year ago. These figures include the Ford output, omitted from the National Automobile Chamber of Commerce figures quoted last week. Preliminary estimates for November made by the *Iron Age* are as low as 55,000, but December production has been stepped up to double the November figure. That many a plant found October sales in excess of production can be surmised from the Polk sales reports from 31 states which indicate a total of 134,000 passenger cars and 27,500 trucks for the country as a whole. Without doubt, the industry enters 1934 with the lowest stocks on hand for many years.

The steel industry is surprised to find that a number of railroads intend to purchase their rail requirements without the aid of government funds. As much as 300,000 tons of rails may be obtained in this manner. Tonnage covered by loans now totals 500,000 tons. Placement of this business will be left to the roads instead of to the government as was originally expected. Nor will the Administration interfere in the matter of prices on the 245,000 tons of track fastenings required. A share of this tonnage may be placed this week.

Price advances for the first quarter have been announced for pig iron and tin plate. Tin plate is advanced 60¢ a base box to $5.25, Pittsburgh.

That public works are rapidly reaching the contract stage becomes increasingly apparent as the construction reports appear. October awards in the public works and utility field gained almost 59% over a year ago. November is accumulating contracts at a rate 70% ahead of last year. In the first half of the current month, over $46.1 millions of such projects were signed, representing a 3.6% increase over October's substantial rate. Intent on taking several millions off the community relief rolls, the Administration is pushing its public works program hard.

Residential Contracts Increase

The strength of residential construction this month is surprising. In the first 12 business days of November, a tidy sum of $12.6 millions has been arranged in the 37 states covered by the F. W. Dodge reports. This is 21.5% better than the October rate, and fully 30% ahead of last November's daily average.

Non-residential construction shows up less favorably. Its $12.7 millions of contracts means a 15% decline from the October daily rate, and a 20% decline from the November, 1932, rate.

Total construction volume amounts to $71.4 millions, equal to a 2.3% increase over the October daily average, and a 35.5% gain over a year ago.

Coal production increased during the week ended Nov. 11 in spite of the interruptions occasioned by Armistice and Election days.

Electric power production during the week ended Nov. 18 was but slightly higher than the preceding week. The spread over 1932 was 5.6%.

Decline in Carloading

Freight traffic invariably shrinks as the last 2 months of the year approach. The latest week (of Nov. 11) covered a period when elections were held in many states, but the effect of such an interruption to trade was less marked this year than in 1932 when the Presidential election occurred. Total loadings to date are but 2.3% ahead of the same weeks of 1932. Outstanding improvement occurred in ore shipments which are 244% greater than last year. Grain, livestock, and l.c.l. shipments have not surpassed the comparable weeks of 1932. October earnings will be less favorable than the preceding months, since the advantages gained by the surcharges will be removed.

Check payments for the week ended Nov. 15 in the 140 cities outside of New York increased by less than 1%. In the comparable weeks of 1932, the increase was 15.7%. It was the failure of this series to show the usual mid-monthly rise that depressed our general index to 59.3% of normal.

Postal deposits continue to rise more sharply than the commercial bankers care to see. On Oct. 31, the total savings amounted to $1,189 millions, an increase of more than $9 millions in the month, and more than $317 millions above a year ago.

Money and the Markets

Security markets show resistance to Dr. Sprague's alarmist statement. Stocks are irregularly up, with commodity stocks leading. Government and high-grade bonds are still weak, but declines in lower-story bonds have been arrested. Commodities drag.

Money

THERE is no minimizing the serious damage that could have been done to the financial markets when an official of the Treasury, in resigning his position, gave the astonishing tip to the country that "bonds, including government bonds, are an unsatisfactory investment." Fortunately, antidotes were at hand. On the morning following Dr. Sprague's statement (page 5), high-grade bonds dipped slightly, but there was no such serious decline as might have been expected. Second-grades continued reasonably strong and stocks were bullish. Secretary of the Treasury Woodin broke his vacation silence with the comment that the attack on the credit of the United States was improper, and from other responsible sources defense of the President's policies became audible.

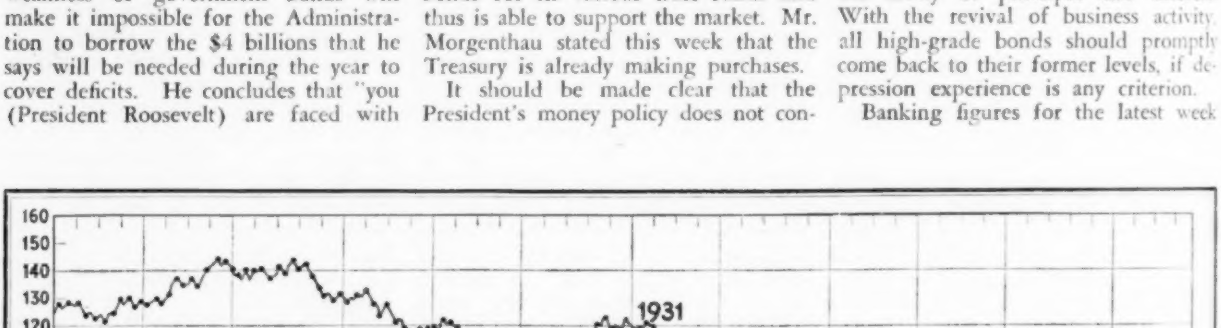
Dr. Sprague's chief alarm is that weakness of government bonds will make it impossible for the Administration to borrow the $4 billions that he says will be needed during the year to cover deficits. He concludes that "you (President Roosevelt) are faced with the alternative either of giving up the present policy or of meeting the governmental expenditures with additional paper money."

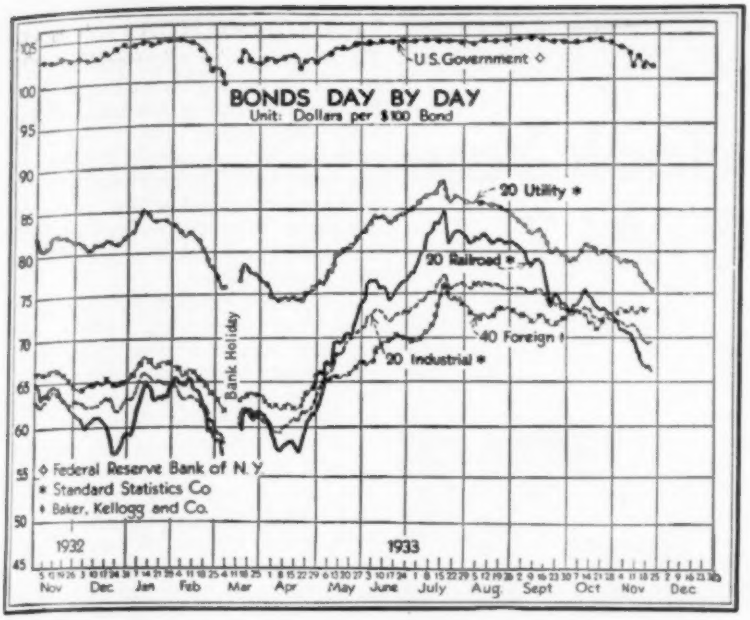
Of course, Dr. Sprague has not exhausted in this statement all the alternative possibilities of financing governmental deficits. Government bonds have been so low during the last 3 years that only in a minor way could the deficit for the fiscal year ended last June ($3 billions) be financed by government long-term borrowing. The situation confronting the country today is not novel. The financial experience of the past 3 years shows that, in an emergency of this kind, it is necessary to resort to short-term issues. These are still selling at very low interest rates. Then there is the possibility of the resumption of open-market purchases by the Federal Reserve banks and, should the Reserve banks fail to assent to such a program, the Treasury is authorized to purchase bonds for its various trust funds and thus is able to support the market. Mr. Morgenthau stated this week that the Treasury is already making purchases.

It should be made clear that the President's money policy does not contemplate a wild inflation. It is even erroneous to call it an experiment when exactly the same policy of depreciation of domestic currencies has been pursued by France, England, Australia, Sweden, and a number of other countries. In no case, did such a policy result in a wild inflation. In every case, commodity prices were stabilized or raised, and there was a consequent advance in industrial activity. In many informed European quarters the President's money policy is considered sound, orthodox in the sense that it is tested by recent experience, reasonably certain of ultimate success, and liable to failure only if the flight from government bonds should reach panic proportions in consequence of propaganda on the part of deflationists.

It is also held in many quarters that, in spite of orthodox theory to the contrary, the rise in commodity prices does not necessarily make high-grade bonds less desirable investments. As a matter of fact, high-grade bonds touched lows during the depression when commodity prices were falling most sharply. This was because the credit of many of our corporations, municipalities and government was being seriously damaged by deflation. On the other hand, high-grade bonds have strengthened as the rising commodity price level began to promise greater earning power and better tax collections, thereby assuring the safety of principal and interest. With the revival of business activity, all high-grade bonds should promptly come back to their former levels, if depression experience is any criterion.

Banking figures for the latest week





continued exceedingly orthodox. Government purchases of United States government securities have virtually disappeared. There has been a slight resumption in the purchase of open-market paper but money in circulation continues to drop. Federal Reserve notes in circulation were $11 millions lower. Reserve deposits continued to increase and stood at $2,645 millions, $68 millions higher than the preceding week and $245 millions higher than during the same week last year.

The condition statement of weekly reporting member banks in 90 leading cities showed that the banks were holding to their deflationary policy. The banks sold during the week $9 millions worth of United States government securities, offset by purchases of $7 millions of other securities. Loans on securities declined $33 millions and all other loans were at $5 billions or $3 millions less than the previous week. Government deposits in these banks totaled $960 millions, a drop of $39 millions for the week, but net demand deposits at $10.6 billions were $98 millions higher than the preceding week. Debits to individual accounts, as reported to the Federal Reserve Board by banks in leading cities for the week ending Nov. 15, with but 5 business days in most, were 12% above the total reported for the preceding week and 16% above the total for the corresponding week last year.

Bankers' acceptances of 60-90 days' duration, were advanced $\frac{1}{8}$ point, this being the first revision upward in the present buying. The 60-day acceptances are selling at a bid ot $\frac{5}{8}$ and asked $\frac{1}{2}$%. The rise is the result of the higher yield offered by government securities.

Stocks

WITH a moderate volume of sales the stock market has shown considerable strength, and on the whole, has advanced, though subjected to occasional setbacks. It was feared that attempts to shake confidence in the Administration's money policy might result in a wholesale stampede into the stock market.

No such stampede developed, however, and it is significant that the chief gains were in such standard stocks as General Motors, Bethlehem Steel, McKeesport Tinplate, Goodyear, Westinghouse, International Harvester, Columbian Carbon, chemical stocks, and the oil stocks. Howe-Sound, an important silver stock, went to a new high at 34\frac{7}{8}$. Among the stocks which declined were public utilities, tobacco stocks and most of the repeal stocks. Divergences between stock prices and quotations on the dollar showed that the dollar, at least temporarily, has lost some power to raise stocks.

Bonds

HIGH-GRADE and United States government bonds have been subjected to new declines but low-grade bonds show fundamental strength. Industrials are moving sidewise and railroads have turned upward. Wall Street is beset by fears. It is either the President's money policy, or the imminence of a banking crisis in December or January, or the flight of capital. On the whole, the decline in bonds has been checked and Wall Street's nerves are giving way to a more sober appraisal of the situation.

Commodities

THOSE commodity prices established by speculative trading on exchanges failed last week to follow the trend of currency depreciation. As a whole, the price structure was erratic, but the average price of all commodities listed on exchanges fluctuated within a range of one point. The commodity price index at midweek was almost exactly where it was 10 days earlier.

The week's inflation talk was of the kind that heretofore would have promptly advanced wheat prices by 5¢ and brought other speculative commodity prices forward in the movement. Business uncertainty, however, made itself felt. Cotton was the only important commodity that was consistently strong during the week.

Hog Market Troubles

From the agricultural and Administration point of view the most serious weakness is to be found in the hog market, where the processing tax seems to have been ignored and declining prices twice brought about a deadlock between sellers and buyers.

In grain, speculative interest centered in the rye market with an unusual differential of 27¢ between that market and wheat. Since rye is not subject to the 30¢ a bushel processing tax, the actual spread is 57¢. A considerable part of the short interest in wheat is held by speculators who are long on rye.

Livestock markets have suffered most in the recent trend. Heavy steers sold in Chicago this week at the lowest point since 1905. There is little in the subsidy plans of the government to encourage the cattle business, but the hog market is presumed to be helped directly under Secretary Wallace's corn-hog plan. Unless these markets turn for the better it is believed that government buying will be resumed in considerable volume.

Coffee Question

The coffee market is another in which the government marketing shows itself an important factor. The remaining store of Santos coffee received in exchange for 25 million bushels of wheat is hanging over the market. There is, as yet, no answer to the all-important question of whether this coffee is to be put into regular channels of trade or used for relief distribution. If the latter disposition of it is made, markets will be fairly clear of high-grade coffees until the next monthly auction. This would have a tendency to strengthen the market.

The rubber market not only has resisted the inflationary influences but thus far has ignored a plan developed for reestablishing restriction of output in the Dutch East Indies. The success of this plan will depend on whether or not cooperation is to be had from the British.

BUSINESS WEEK

The Journal of Business News and Interpretation

NOVEMBER 25, 1933

The Battle Lines

LINES are forming, skirmishing has begun, in a battle over money that may become as exciting and as bitter as the free silver fight of the 'nineties.

Most dramatic incident so far is the resignation of Dr. O. M. W. Sprague. His letter to the President denouncing the dollar devaluation maneuvers is scathing. Its bitter brutality seems to outdo the rudeness of Roosevelt's message to the London Conference. Perhaps one begot the other?

But whether the jangling of personalities is screened behind the affair is irrelevant. It is the substance, not the tone, of the letter that matters.

Dr. Sprague concedes that the Warren plan will raise prices—which is perhaps the most surprising thing he has to say. "Doubtless, given time, a depreciated dollar or a devalued dollar will yield a higher price level."

But, he says, this result will come too slowly. In the meantime, he believes the Administration policy will destroy the government credit. That, he says, must force the issuance of additional paper money.

"There is no defense from a drift into unrestrained inflation other than an aroused and organized public opinion." To help thus to arouse public opinion, he will devote his time.

Well, any man who believes we are headed for an "unrestrained inflation" with a flood of irredeemable paper money is certainly justified in sounding the alarm. Few things are more terrifying than such a prospect. All wise men of modern and ancient times have warned against the evils of a fiat currency. History is full of horrible examples of nations that have gone smash on bad money.

But history also shows that no country ever has launched upon any such program save as the direct result of war—either to finance armies in the field (as our greenbacks), or to restore life to a war-ruined land (as France and Germany). Again, there is, so far as we know, no record of any nation that ever has run wild with the printing presses while it still had enormous gold reserves. Printing press money is the last desperate expedient of nations fighting for their lives.

Certainly the United States is in no such desperate extremity. It has ample gold reserves. No responsible person is urging the issuance of fiat money, and we are convinced the President is firmly opposed to any such course.

But it is Dr. Sprague's contention that we shall drift into a paper inflation because, so he insists, the present policy "threatens a complete breakdown of the credit of the government." Then it would be necessary to meet government expenditures with new money.

This seems an extreme view. It is itself, we think, a more savage assault on the government bond market than any of the Administration's policies, and it had prompt repercussion upon prices.

That the credit of the government is in present peril, we doubt. That the Administration, either deliberately or through force of circumstance, will launch a flood of irredeemable paper currency upon this country seems to us wholly incredible.

What seems much more credible is the hypothesis that the President hopes by the operation of his present gold policy to forestall much wilder proposals from a Congress the temper of which, particularly the agrarian bloc, he knows. It would not be astonishing to see the operation completed and some measure of dollar stability achieved before Congress meets.

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